

NISSIN CORPORATION

9066

Tokyo Stock Exchange Prime Market

6-Sept.-2023

FISCO Ltd. Analyst

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FISCO Ltd.

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

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Summary

As a pioneer in comprehensive international logistics, provides a wide range of logistics services. In operating income in FY3/23, profit continued to grow in the logistics business, and the travel service business also improved its earnings

1. Company profile

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

2. Results trends

In the Company’s FY3/23 consolidated results, net sales increased 0.8% year on year (YoY) to ¥194,165mn, operating income improved 39.0% to ¥12,643mn.

In the logistics business, the handling of urgent freight forwarding and high freight rates that had continued from 1H FY3/23 gradually began to converge in 2H, but the performance in the handling of both air and ocean freight was steady as a whole. The travel service business recorded a loss for a second consecutive fiscal year due to the impact of the novel coronavirus pandemic (hereinafter, COVID-19), but the handling of business travel showed signs of recovery (about 80% of pre-pandemic levels) and earnings improved. It should be added that in addition to the recovery in the handling of business travel, streamlining through a restructuring of internal systems significantly reduced losses, and the business temporarily turned profitable in 2Q and 3Q.

In its consolidated results for FY3/24, the Company is projecting net sales of ¥190,000mn (down 2.1% YoY) and operating income of ¥8,500mn (down 32.8%). Issues such as international logistics congestion, which first came to the forefront in autumn 2020, and steep rises in transportation rates, as well as the special demand thanks to those (3Q FY3/22 to 2Q FY3/23) for the Company seem to have already peaked. During 2H of FY3/24, orders will fall for a while in rebound after the special demand, but will gradually come to a halt. In the logistics business, FY3/24 is expected to see logistics orders return to normal levels and the next three years are forecast as a period of gradual recovery and return to growth. Furthermore, the travel service business is anticipated to continue recovery in the handling of business travel, which is its main business, and it is forecasting a return to profitability (FY3/24 operating income of ¥200mn) for the first time in four fiscal years, since before the COVID-19 pandemic.

Summary

3. Medium-Term Business Plan

In its seventh medium-term business plan (FY3/23-FY3/27), the Company will shift away from its emphasis on “economies of scale” in the logistics business, aiming to improve management efficiency and establish a stable high-earnings structure.

The quantitative targets for Phase 1 (FY3/23-FY3/24) include net sales of ¥190.0bn and operating income of ¥8.5bn. However, operating income in FY3/23 was ¥12,643mn, meaning the Phase 1 operating income target was achieved a year ahead of schedule. Due to special demand caused by logistics disruptions, the Company sees FY3/23 as having strong irregular elements, and envisions raising operating income to ¥8.5bn in Phase 1, with pre-COVID pandemic performance (operating income of ¥5.6bn in FY3/19) as a starting point. In Phase 2 (FY3/25-FY3/27), meanwhile, the Company will aim for FY3/27 net sales of ¥275.0bn and operating income of ¥11.0bn.

4. Advancing and further deepening digital transformation (DX)

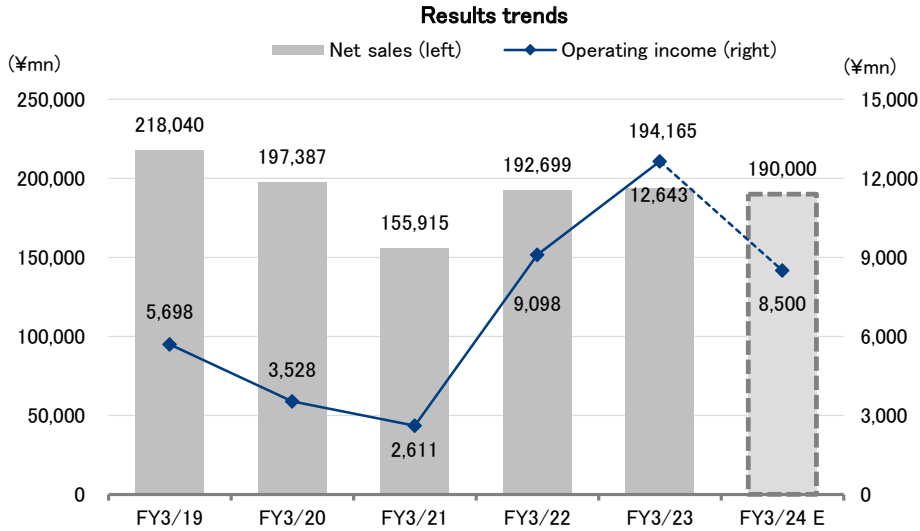
The Company has set out the promotion of digital transformation (DX) as a priority measure in its seventh medium-term business plan, and the entire company is engaged in this effort. Regarding the DX of general-purpose logistics services, it has carried out a full renewal of its Forward ONE digital forwarding service and the renewed service was launched in March 2023. Regarding the DX of individual services, the Company has been working with major pharmaceutical wholesaler the SUZUKEN CO., LTD. <9987> Group and Panasonic Holdings Corporation <6752> on trials of a service for the international transportation of pharmaceutical products, which require high quality transportation, using Panasonic’s VIXELL vacuum-insulated cooling boxes.

At FISCO, we think that the Company must strengthen its DX promotion to gain an advantage over its global competitors, and we expect to see further growth.

Key Points

- In operating income in FY3/23, profit continued to grow in the logistics business, and the travel service business also improved its earnings
- Decline in both sales and profit forecast for FY3/24 due to a rebound from special demand for international logistics. Gradual recovery and return to growth expected in the medium to long term
- The Company is not being swayed by special demand caused by logistics congestion, as under its seventh medium-term business plan, it aims to improve management efficiency and establish a stable high-earnings structure
- The Company is working toward the early realization of a PBR (price-to-book ratio) of over 1x as one of the priority measures of its medium-term business plan

Summary



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

Company profile

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

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

Company profile

1. History

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

(1) Founding period (1938-1957)

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

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

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

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

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

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

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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
Feb. 2022	Moved Tokyo Head Office to current location (6-4, Kojimachi 1-chome, Chiyoda-ku, Tokyo)
Apr. 2022	Shifted listing to the Tokyo Stock Exchange Prime Market

[Establishment of Overseas Branch Offices and Subsidiaries]

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

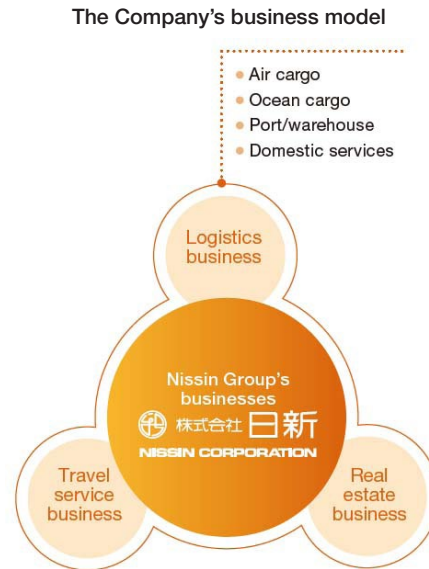
Source: Prepared by FISCO from the Company's website

We encourage readers to review our complete legal statement on "Disclaimer" page.

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*1 services as well as large plant transport and ISO tank container*2 transport.

*1 Abbreviation of Non-Vessel Operating Common Carrier.

*2 Container for transport of liquids that can be seamlessly transported across each mode of transportation, including ocean, truck, rail and others, in accordance with ISO standards.

c) Port/warehouse

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

Company profile

d) Domestic logistics and onsite operations

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

(2) Travel service business

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

(3) Real estate business

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

■ Industry Analysis and Competitive Comparisons

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

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

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

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Industry Analysis and Competitive Comparisons

Business environment trends and SWOT analysis of the logistics business

PEST perspective	Macro environment factors	Opportunities and threat factors			Impact
		Opportunities	Threats	Factors impacting the Company	
P: Political, regulatory	Act on Integration and Streamlining of Distribution	●		• Consolidation of transport networks, joint deliveries, modal shift	△
	Revised Act on Rationalizing Energy Use		●	• Mandatory requirement for logistics businesses and consignors to engage in energy conservation efforts	○
	Logistics issues for 2024		●	• Mandatory cap on truck driver overtime	△
	Work style reforms		●	• Fundamental reassessment of Japanese-style hiring systems and practices	○
	Continuation of IT subsidies	●		• Proposals for deploying DX using IT subsidies	△
E: Economy, Environment	Increase in geopolitical risks		●	• Addressing China risk (production region shift)	○
	Growth of ASEAN economic sphere	●		• Rapid expansion of trade volume, primarily in and outside the Asian region	◎
	Spread of COVID-19 and its prolonged impact	●		• Logistics disruptions...Increased demand in response to tight logistics space	◎
			●	• Slowdown in recovery of economic activity	◎
	Progressing depreciation of the yen	●		• Foreign exchange gains boost operating income	○
	Global inflation	●		• Soaring raw material and energy costs	◎
				• Rising personnel and operational costs	△
	2050 carbon neutral		●	• Energy conservation and reduction of CO ₂ emissions - at logistics centers	○
Rise of SDGs and ESG	●		• Strengthening of sustainability management	○	
S: Society	Ultra-low birthrate and aging society		●	• Shortage of truck drivers	△
	Society 5.0	●		• Automated operations, autonomous driving, IoT and drones	△
T: Technology	Multi-functionalization of logistics facilities	●		• Collection and distribution, distribution processing and disaster response (decentralized facilities)	△
	Standardization and automation of logistics	●		• Automation and use of robots difficult with large, atypical cargo	△
	Logistics technology revolution	●		• Digital forwarding services	◎
				• Application of blockchain technology to logistics SCM	○
	Logistics DX (Use of IoT and AI)	●		• Productivity revolution at container terminals	○
		●	• Difficult to secure personnel with a high degree of expertise in DX and AI	○	

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

(1) Primary opportunity and threat factors and responses

a) Rising China risk and growth of ASEAN economic sphere

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

Industry Analysis and Competitive Comparisons

b) Logistics Technology Revolution

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

2. Analysis of internal environment

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

Analysis of internal environment (strengths and weaknesses)

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

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

Key strengths are as noted below.

(1) Customer structure

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

(2) Overseas expansion

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

Industry Analysis and Competitive Comparisons

(3) Diverse modes of transport

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

(4) Highly experienced personnel

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

3. Competitor Comparison

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

(1) Improving profitability

The company has an operating margin of 6.5% (FY3/23)*, which compares somewhat unfavorably with other logistics companies. In response, under its seventh medium-term business plan, the Company is advancing a review of its business portfolio and operational efficiencies in order to realize further earnings growth.

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

(2) Management safety

Equity ratio, an indicator of safety, was 53.6% (as of the end of FY3/23), considered a safe level. We believe that the Company has achieved an appropriate balance between equity capital and external funding (e.g., debt, etc.).

Competitor Comparison (financial analysis, FY3/23)

Perspective	Financial indicators	The Company	Logistics companies				
			Hitachi Transport System	Mitsubishi Logistics	Mitsui-Soko Group	Sumitomo Warehouse	Maruzen Showa Unyu
Profitability	Vs. operating margin	6.5%	5.4%	7.7%	8.6%	11.7%	9.0%
Growth capability	Net sales CAGR (past five years)	-0.9%	2.4%	4.2%	3.8%	1.1%	5.8%
Capital efficiency	ROE	12.8%	23.1%	7.8%	16.7%	10.3%	7.8%
Productivity	Operating income per employee (thousand yen)	2,207	944	4,891	3,222	5,847	3,349
Management safety	Equity ratio	53.6%	22.5%	61.1%	36.1%	56.3%	65.2%

Source: Prepared by FISCO from each company’s materials

Results trends

In operating income in FY3/23, profit continued to grow in the logistics business, and the travel service business also improved its earnings

1. Summary of FY3/23 Results

In the Company's FY3/23 consolidated results, net sales increased 0.8% YoY to ¥194,165mn, operating income improved 39.0% to ¥12,643mn, ordinary income rose 38.3% to ¥13,634mn, and profit attributable to owners of parent climbed 65.4% to ¥10,528mn. These results significantly exceeded initial plans on the profit front, with net sales up 2.2%, operating income up 48.7%, ordinary income rising by 51.5% and profit attributable to owners of parent increasing 52.0%.

FY3/23 Consolidated Results

	(¥mn)										
	FY3/22				FY3/23		YoY change		Revised plan	Initial plan	
	Results	% of net sales	Initial plan	Revised plan	Results	% of net sales	Amount	Percentage			
Net sales	192,699	-	190,000	210,000	194,165		1,466	0.8%	-7.5%	2.2%	
Operating income	9,098	4.7%	8,500	13,000	12,643	6.5%	3,545	39.0%	-2.7%	48.7%	
Ordinary income	9,859	5.1%	9,000	14,000	13,634	7.0%	3,775	38.3%	-2.6%	51.5%	
Profit attributable to owners of parent	6,365	3.3%	6,500	9,800	10,528	5.4%	4,163	65.4%	7.4%	62.0%	
Assumed exchange rate (USD/Yen)	122				133						

Note: Figures for revised are as announced on October 31, 2022

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

In the logistics business, the handling of urgent freight forwarding and high freight rates that had continued from 1H FY3/23 gradually began to converge in 2H, but the performance in the handling of both air and ocean freight was steady as a whole. The travel service business recorded a loss for a second consecutive fiscal year due to the impact of the COVID-19 pandemic, but the handling of business travel showed signs of recovery and earnings improved. It should be added that in addition to the recovery in the handling of business travel, streamlining through a restructuring of internal systems significantly reduced losses, and the business temporarily turned profitable in 2Q and 3Q.

In addition, depreciation of the yen* contributed to boosting operating income. Exchange rate sensitivity (the amount of impact on operating income from a single-yen change in the exchange rate) seems to have been approximately ¥35-40mn on a dollar/yen basis.

* ¥122/USD as of the start of FY3/23, ¥133/USD in FY3/23.

Results trends

2. Overview by segment

FY3/23 results by segment

	FY3/22 Results	FY3/23 Results	YoY	
			Amount	
			Amount	Percentage
Net sales	192,699	194,165	1,466	0.8%
Logistics	188,868	187,600	-1,268	-0.7%
Domestic	114,170	114,948	778	0.7%
Overseas	74,698	72,652	-2,046	-2.7%
Travel service	2,500	5,289	2,789	111.7%
Real estate	1,330	1,276	-54	-4.4%
Operating income	9,098	12,643	3,544	39.0%
Logistics	9,372	11,826	2,454	26.2%
Domestic	4,171	5,939	1,767	42.4%
Overseas	5,200	5,887	687	13.2%
Travel service	-1,053	-14	1,038	-
Real estate	765	816	51	6.8%
Other	14	14	0	0.7%

Source: Prepared by FISCO based on the Company's results briefing materials and company materials

(1) Logistics business

Segment net sales declined 0.7% YoY to ¥187,600mn, with operating income up 26.2% to ¥11,826mn. In the logistics business, domestic net sales rose 0.7% to ¥114,948mn and operating income also increased 42.4% to ¥5,939mn. Net sales overseas decreased 2.7% to ¥72,652mn while operating income rose 13.2% to ¥5,887mn. Although performance in Japan was steady, there was a slight decline in overseas orders during 2H accompanying a slowdown in automobile-related demand.

a) Japan

In air exports, handling of machinery and equipment was robust. In air imports, handling of automobile-related cargo contributed to earnings. Furthermore, in ocean exports, handling of machinery and equipment and chemicals was steady, while ocean imports performed strongly on handling of food products, sundries and others. In addition to this, warehousing business was steady in the handling of foods.

b) Asia

In Thailand, both ocean and air transport of automobile-related cargo performed solidly, and there was booming logistics activity within the Asian region. In Vietnam, the handling of automobile-related cargo, home electronics, and sundries to Japan increased. In India, handling of motorcycles and air exports of automobile-related cargo grew.

c) China

In Hong Kong, ocean exports of home electronics for North America were firm in 1H but started to decline in 2H, and decreases in both ocean and air freight rates lowered earnings. In Shanghai, warehousing services for home electronics and consumer goods were robust, despite factors such as the impact of lockdowns.

d) Americas

In the U.S., warehousing services remained strong, and in 1H, air exports of automobile-related cargo and ocean exports of food-related cargo were booming. Cross-border transport between Mexico and the U.S. and domestic alternate transportation of ocean import cargos due to port congestion also contributed to earnings. In 2H, the volume of cargo handled declined for both imports and exports.

Results trends

e) Europe

In Germany, handling of home electronics held steady and handling of automobile-related cargo also contributed to earnings. In Poland, warehousing and delivery operations within the region were steady. Also, in Germany and France the Company focused on pharmaceutical logistics, including acquiring GDP* certification (April 2022) which sets the quality control standards for the transportation of pharmaceutical goods.

| * GDP (Good Distribution Practice): Quality control standards for the transportation of pharmaceutical goods |

(2) Travel service

Segment net sales rose 111.7% YoY to ¥5,289mn, with an operating loss of ¥14mn (operating loss of ¥1,053mn in the previous year). Mainstay business travel showed a recovery trend, while handling of domestic and overseas group-related travel contributed to earnings. Rationalization through restructuring of internal systems (acquisition of Nicchu Heiwa Travel Service by Nissin Travel Service), underway since FY3/23, also contributed.

(3) Real estate business

Segment net sales fell 4.4% YoY to ¥1,276mn, while operating income rose 6.8% to ¥816mn. Although there was a decrease in construction-related supervisory services in the Keihin area, an increase in parking revenues due to the use of large tour buses following the lifting of government restrictions on movements, etc., contributed to earnings.

■ Outlook

Decline in both sales and profit forecast for FY3/24 due to a rebound from special demand for international logistics. Gradual recovery and return to growth expected in the medium to long term

1. Outlook for FY3/24

With regards to its FY3/24 consolidated results, the Company forecasts net sales of ¥190,000mn (-2.1% YoY), operating income of ¥8,500mn (-32.8%), ordinary income of ¥9,000mn (-34.0%) and profit attributable to owners of parent of ¥6,500mn (-38.3%).

Consolidated outlook for FY3/24

	(¥mn)					
	FY3/23		FY3/24		YoY	
	Results	% of net sales	Plan	% of net sales	Amount	Percentage
Net sales	194,165	-	190,000	-	-4,165	-2.1%
Operating income	12,643	6.5%	8,500	4.5%	-4,143	-32.8%
Ordinary income	13,634	7.0%	9,000	4.7%	-4,634	-34.0%
Profit attributable to owners of parent	10,528	5.4%	6,500	3.4%	-4,028	-38.3%
Assumed exchange rate (USD/Yen)	133		133			

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

Outlook

Issues such as international logistics congestion, which first came to the forefront in autumn 2020, and steep rises in transportation rates, as well as the special demand (3Q FY3/22 to 2Q FY3/23) for the Company seem to have already peaked. During 2H of FY3/24, orders will fall for a while in rebound after the special demand, but will gradually come to a halt. In the logistics business, FY3/24 is expected to see logistics orders return to normal levels and the next three years are forecast as a period of gradual recovery and return to growth. Furthermore, the travel service business is anticipated to continue recovery recovery in the handling of business travel, which is its main business, and it is forecasting a return to profitability (FY3/24 operating income of ¥200mn) for the first time in four fiscal years, since before the COVID-19 pandemic.

2. Plan by Segment

FY3/24 Outlook by Segment

	FY3/23	FY3/24	YoY	
			Amount	
			Amount	Percentage
			(¥mn)	
Net sales	194,165	190,000	-4,165	-2.1%
Logistics	187,600	181,600	-6,000	-3.2%
Domestic	114,948	108,900	-6,048	-5.3%
Overseas	72,652	72,700	48	0.0%
Travel service	5,289	7,100	1,811	34.2%
Real estate	1,276	1,300	24	1.8%
Operating income	12,643	8,500	-4,143	-32.8%
Logistics	11,826	7,400	-4,426	-37.4%
Domestic	5,939	3,400	-2,539	-42.8%
Overseas	5,887	4,000	-1,887	-32.1%
Travel service	-14	200	214	-
Real estate	816	900	84	10.2%
Others	14	0	-14	-

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

(1) Logistics business

The Company projects sales of ¥182,600mn, down 3.2% YoY, and operating income of ¥7,400mn, down 37.4%. Disruptions in logistics stemming from the COVID-19 pandemic are gradually normalizing and the logistics market is beginning to regain its composure. In Japan and Asia, pressure on supply and demand in logistics space has eased, and spot cargo appears to be on the decline. Furthermore, it is likely that high transportation prices will continue to return to normal levels.

(2) Travel service business

The Company projects sales of ¥7,100mn, up 34.2% YoY, and operating income of ¥200mn (compared to an operating loss of ¥14mn in FY3/23). Although it will take time for overseas business travel to fully recover, the number of overseas business travelers handled is gradually heading toward a recovery, and sales are also recovering steadily. Furthermore, over the past three years, the Company has been shifting to a low-cost structure by streamlining through a restructuring of internal systems, and FY3/24 is likely to see the business return to profitability for the first time in four fiscal years.

(3) Real estate business

Segment sales are projected to increase 1.8% YoY to ¥1,300mn and operating income to rise 10.2% to ¥900mn.

■ Medium-Term Business Plan

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

● Seventh Medium-Term Business Plan

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

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

(1) Three main points

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

(2) Period

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

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

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

Medium-Term Business Plan

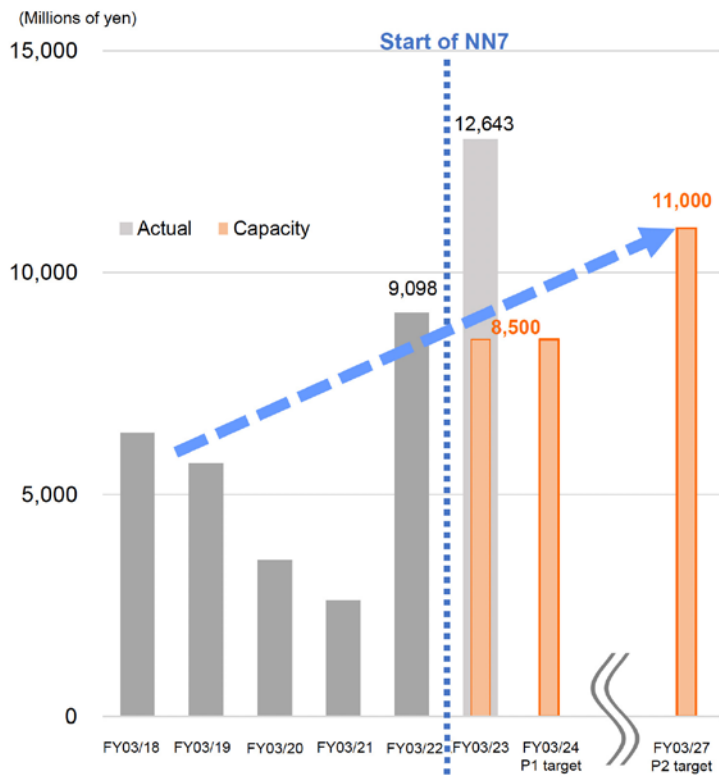
b) Phase 2 (FY3/25-FY3/27)

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

(3) Quantitative targets

The Company sets quantitative targets for each phase. Phase 1 targets for FY3/24 include net sales of ¥190.0bn, operating income of ¥8.5bn, ordinary income of ¥9.0bn, profit attributable to owners of parent of ¥6.5bn and ROE of around 8.0%. However, given that the operating income forecast for FY3/23 was ¥12,643mn, the Phase 1 operating income target will be achieved one year ahead of schedule. Due to special demand caused by logistics disruptions in FY3/23, the Company sees this fiscal year as having strong irregular elements, and plans to rise operating income to ¥8.5bn in Phase 1, starting from pre-COVID pandemic performance (operating income of ¥5.6bn in FY3/19). In Phase 2, meanwhile, the Company will aim for FY3/27 net sales of ¥275.0bn, operating income of ¥11.0bn, ordinary income of ¥11.5bn and profit attributable to owners of parent of ¥8.6bn, with an ROE of about 9.0%.

Approach to NN7 medium-term business plan target (operating income)



Source: The Company's results briefing materials

Medium-Term Business Plan

(4) Investment plan

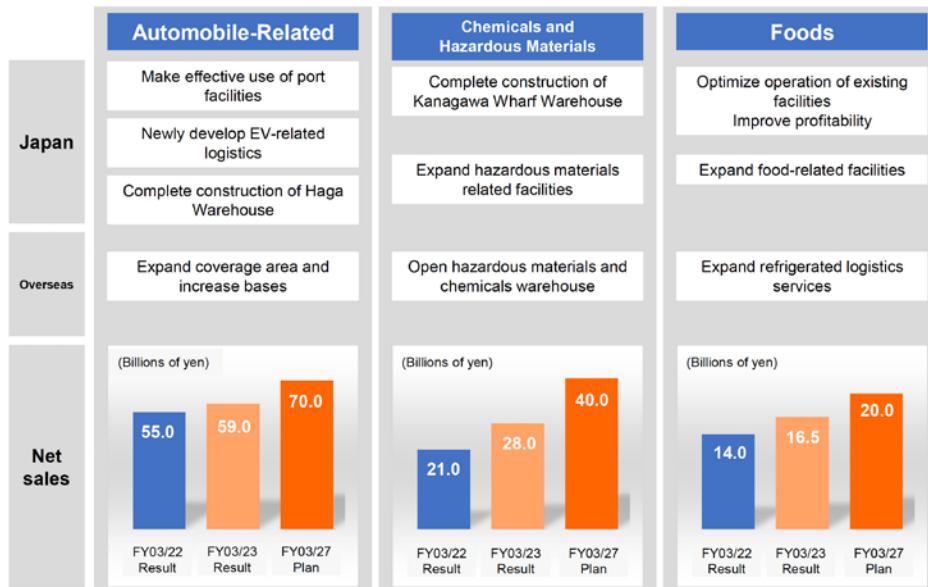
During the five-year period of its seventh medium-term business plan, the Company forecasts operating cash inflows of between ¥50.0-60.0bn and plans to allocate cash outflows appropriately. Planned investments total ¥25.0-30.0bn, of which ¥5.0bn will be invested in the hazardous materials warehouse in Kanagawa Wharf, ¥5.0bn in the Tochigi Haga Warehouse, and another ¥10.0-15.0bn in other facilities investments in Japan and overseas. Planned strategic investments total ¥5.0-10.0bn, with investments planned in IT/DX, ESG, M&A, human resource development and other areas. M&A investments will begin with research, planning and specific reviews for projects aimed at complementing logistics functions and expanding the customer base. Other allocations will include strengthening financial health (repayment of interest-bearing debt) and shareholder returns, while taking internal and external conditions into consideration.

(5) Further cultivation of core businesses

By further cultivating core businesses, the Company has set targets for net sales of ¥70.0bn (FY3/27 plan) in automobile-related logistics, ¥40.0bn in chemicals and hazardous materials logistics, and ¥20.0bn in food logistics.

Its main capital expenditures will be ¥5bn on Tochigi Haga Warehouse (scheduled for completion in November 2024) in automobile-related logistics and ¥5bn on a hazardous materials warehouse in Kanagawa Wharf (scheduled for operation to commence in September 2023) in chemicals and hazardous materials logistics. In addition to these, the Company has allocated a further ¥10-15bn for capital expenditures in both Japan and overseas.

Net sales targets and initiatives by logistics business



Note: Above figures are drawn based on internal estimates

Note: Graph shows values compiled by the Company
 Source: The Company's results briefing materials

(6) Promote logistics DX

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

a) DX of general-purpose logistics services

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

Last year, the Company carried out a full renewal of its Forward ONE digital forwarding service and the renewed service was launched in March 2023. Users can also now search the Company’s ocean and air transportation schedules, instantly calculate approximate costs including overseas costs, check available transportation space, and make bookings. The Company is currently advancing development on upgrades, which will include a freight tracking function, and these services are scheduled to be launched successively during FY3/24.

Additionally, the Company also invested in TradeWaltz® in August 2021, and since then it has seen continued investment from other companies in the same industry, trading companies, and financial institutions. It is advancing initiatives for digitalizing trade operations and making them more efficient (a one-stop online platform for trade-related procedures).

b) Individualizing products with advanced technology

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

In September 2021, the Company started working with major pharmaceutical wholesaler the Suzuken Group and Panasonic Holdings Corporation on trials of a service for the international transportation of pharmaceutical products (from Basel, Switzerland to Suzuken’s Hanshin Distribution Center), which require high quality transportation, using Panasonic’s VIXELL vacuum-insulated cooling boxes. It has been confirmed that these boxes can store contents at temperatures of -60°C for a specified period, and by using IoT data collection, it is possible to use the internet to check sensor information (temperature, humidity, illuminance, inclination, mechanical shock, and remaining battery life) measured by sensor tags. The Company will use the knowledge and expertise gained from these trials to realize international transportation that meets the needs of the pharmaceutical industry.

c) Streamline logistics business through DX

Aim to streamline warehouse operations through DX.

Medium-Term Business Plan

(7) Status of exploration under the theme of business in new areas

In April 2022, the Company established the New Business Development Office and it is carrying out investigative research, exploration, and commercialization activities related to new business. It has invited external experts to speak at seminars on new business and human resource development. Within these efforts, it has set three conditions for new business ideas and it is sharing them internally.

- Ideas should be in line with the Company's corporate philosophy and corporate message and result in businesses that contribute to solving a social, regional, customer, or industry issue
- They should not only improve operations, but also create sales outside of the Group and generate new earnings
- Going forward, if a new business proposal makes the final stage of consideration for adoption, the individual who made the proposal should be willing to take responsibility for research needed and ultimately serve as project leader for establishing the business

Under these three conditions, the Company plans to hold new business ideas contests open to all employees from FY3/24 onward. The Company hopes that one or two of these new businesses will be taking form by the final year of the current medium-term business plan (FY3/27).

The Company also joined the Yokohama Future Organization (led by Yokohama Minatomirai 21) in April 2023. The organization is a collaboration forming a Yokohama-style innovation ecosystem that promotes the creation of innovation throughout the city. Through cross-industry exchange with about 90 companies, educational institutions, and research facilities that make up the organization, the Company expects to meet promising startup companies and discover opportunities for exploring new business ideas.

(8) Promote business portfolio strategy

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

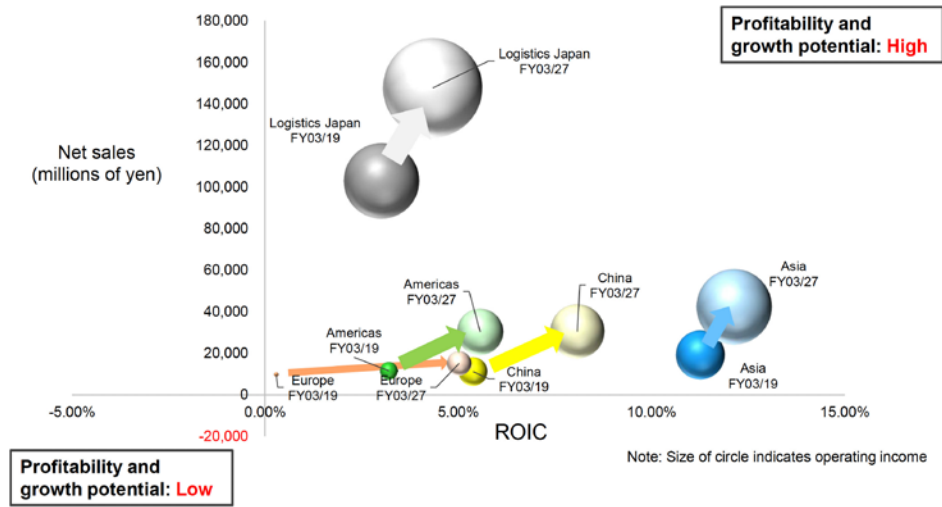
For its portfolio position and measures in each region, the Company views Japan as its priority investment region, and aims to develop and augment infrastructure such as system investment, HR development and warehouse construction to further improve profitability. The Company views Asia, China and the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

In the FY3/23 results briefing materials, the Company first released its vision of its business portfolio in FY3/27, which uses return on invested capital (ROIC) by region as an indicator. It demonstrates a business portfolio in a way that is unique to the Company, using the horizontal axis to show ROIC, the vertical axis to show net sales, and the size of the circles to show profitability (operating income). There is a big difference in the ROIC of Logistics Japan and that of Asia and China, but this is because Logistics Japan will require considerable capital investment, such as the construction, operation, and maintenance of Company-owned warehouses, while the Company does not own many warehouses in China and Asia, mainly using rental storage. In Logistics Japan, the Company plans to expend ¥5bn each on a hazardous materials warehouse in Kanagawa Wharf and the Tochigi Haga Warehouse, which are forecast to start providing a return on investment and profit contributions from around 2030. At FISCO, we expect the Company will further strengthen Logistics Japan as a core business by shifting the business' position within its portfolio to the upper right (high profitability and growth potential), making it the foundation of the Company's earnings.

Business portfolio in FY3/27

We encourage readers to review our complete legal statement on "Disclaimer" page.

Medium-Term Business Plan



Source: The Company's results briefing materials

(9) Early realization of a PBR (price-to-book ratio) of over 1x

Price-to-book ratio (PBR) is currently gaining attention as an indicator. In general, Japanese companies tend to have a low PBR (the majority of companies listed on the TSE Prime Market have a PBR of less than 1x and the Company's is 0.65x) and PBR is referred to as "dissolution value." The Tokyo Stock Exchange has issued a request for improvement to listed companies with a PBR of less than 1x in FY3/23. Against this background, the Company is working toward the early realization of a PBR of over 1x as one of the priority measures of its medium-term business plan.

(10) Restructure sales force

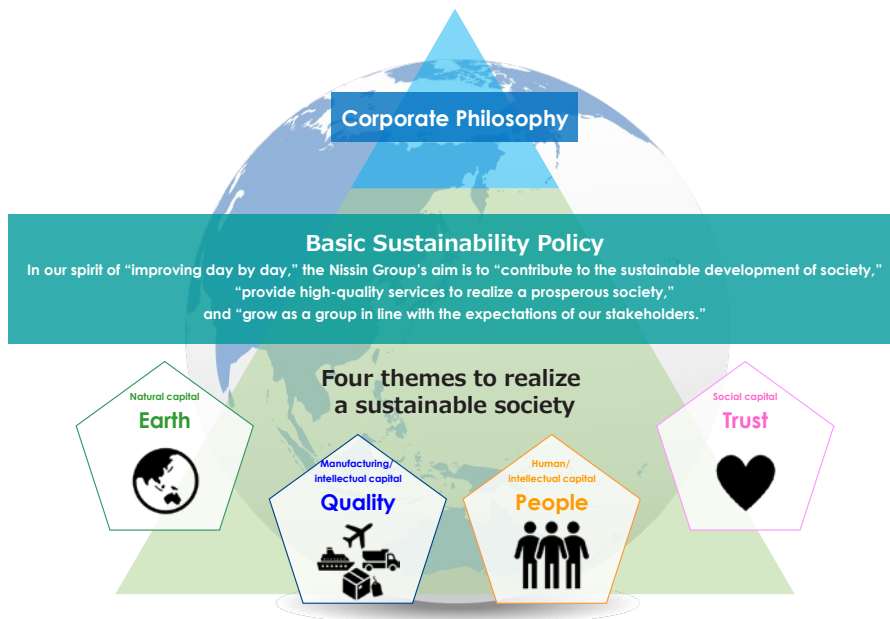
Previously, specific industries and customers (such as automobile and chemicals) were spread across multiple divisions, leading to inefficient sales efforts. The Company decided to restructure the sales force into seven separate categories in April 2022, with each sales division being responsible for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

■ ESG Initiatives

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

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

Basic Sustainability Policy and Themes



Source: The Company’s website

In August 2022, the Company established materialities (priority issues) for four sustainability themes (earth, quality, people, and trust).

ESG Initiatives

ESG management promotion

Theme	Materiality	Key initiatives	SDGs
	<p>Realizing a decarbonized society and contribute to an environmentally conscious, circulating society</p>	<ul style="list-style-type: none"> • Environmentally friendly logistics (proposing the use of returnable containers and logistics using rail and coastal vessels) • Reduce greenhouse gas emissions • Switch to renewable energy and implement energy-saving equipment • Respond to extreme weather and natural disasters • Respond to environmental regulations • Cooperation in reforestation and conservation activities 	
	<p>Implementing cutting-edge technology and provide high-quality service</p>	<ul style="list-style-type: none"> • Promote logistics innovation and DX using cutting-edge technology • Provide safe, attentive, high-quality service • Expand dialogue and information distribution • Build partnership with business partners and customers • Eliminate illegal labor in the supply chain 	
	<p>Respect all people and build an environment where individuals can bring out their best abilities</p>	<ul style="list-style-type: none"> • Capacity building through human resource development and acquisition of specialized skills • Optimal placement of human resources • Respect and promote diversity • Create a comfortable workplace for women and promote them to management positions • Improve employee engagement • Create a safe and comfortable working environment • Promote health management 	
	<p>Create company that is fair, valuable, and hopeful to all stakeholders</p>	<ul style="list-style-type: none"> • Develop a system to promote sustainability • Reinforce corporate governance and risk management • Strengthening corporate governance and risk management • Ensure compliance • Increase stakeholder engagement • Strengthen BCP efforts • Thorough information management 	

Source: The Company's website

(1) Earth: Environment

Beginning in October 2022, the Company switched to contracts for electric power derived from renewable energy sources (“renewable power”) for electricity used at its eight sites in the Kansai region. Said contract calls for receiving a supply of electricity in the form of substantially renewable power that does not emit CO₂, combining the normal electric power supplied by a retail electricity provider with non-fossil certificates with environmental value. The switch to renewable power is forecast to result in a reduction in CO₂ emissions of about 2,000 tons per year. Going forward, the Company will also consider making a similar switch to renewable power at its sites in the Kanto region.

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

ESG Initiatives

(2) Quality: Social

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

(3) People: Social

The Company has enhanced its HR development curriculum, introduced diverse working styles, and promoted diversity. One example is the Company’s efforts for several years to become a “company where women are active,” which has included hiring the same number of male and female new graduates, and providing childcare support by offering male employees maternity leave. Increasing numbers of women have been appointed to management and sales managerial positions, with women now making up 9.2% 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) (Act on Advancement of Measures to Support Raising Next-Generation Children) certifications. The Company is also implementing re-skilling (capacity development) of employees’ specialized knowledge and skills.

(4) Trust: Governance

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

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



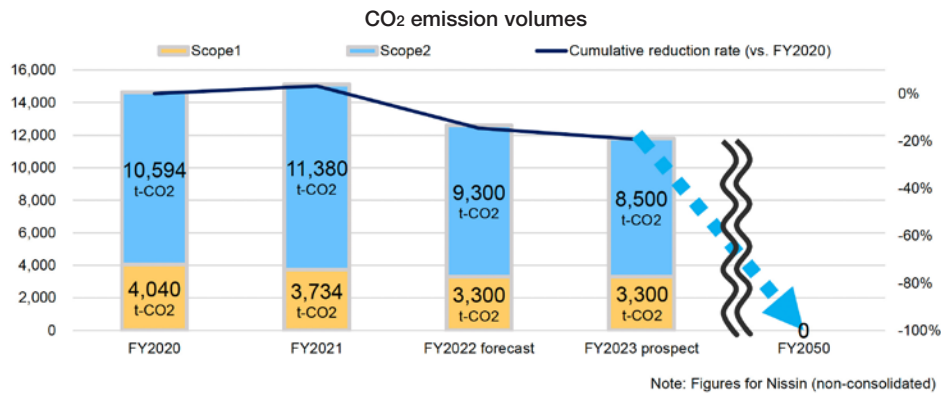
Source: The Company’s website

ESG Initiatives

(5) Climate change initiatives to date and future plans

The Company is working to reduce CO₂ emissions toward becoming carbon neutral (CN) by 2050. In FY3/23, CO₂ emissions had shrunk by 19.4% compared to FY3/20 and CN activities are progressing smoothly. Currently, the Company only calculates volumes of Scope 1 and Scope 2 CO₂ emissions (emissions attributed to the Company) but going forward, it will create a framework for investigating, analyzing, and visualizing Scope 3 emissions (indirect emissions not covered by Scopes 1 and 2) and then work to address these emissions. The achievements of CN activities carried out to date include shifting to electric power derived from renewable energy sources (10 business sites across Japan), installing solar power generation equipment, switching to LED light fittings at facilities, and introducing environmentally friendly vehicles (ecocars). Planned CN activities for the future include:

- Supporting the TCFD and disclosing CO₂ emission reduction targets (June 2023)
- Expanding the introduction of electric power derived from renewable energy sources at business sites
- Installing solar panels at new facilities
- Increasing the ratio of ecocars in the Company's fleet
- Introducing EV trucks for business operations (Thailand subsidiary).



Source: The Company's results briefing materials

Shareholder return policy

This is a blue-chip company that has maintained stable dividends for almost 50 years without a reduction. The Company plans to increase its annual dividend for FY3/24 by ¥10.0 to ¥100.0

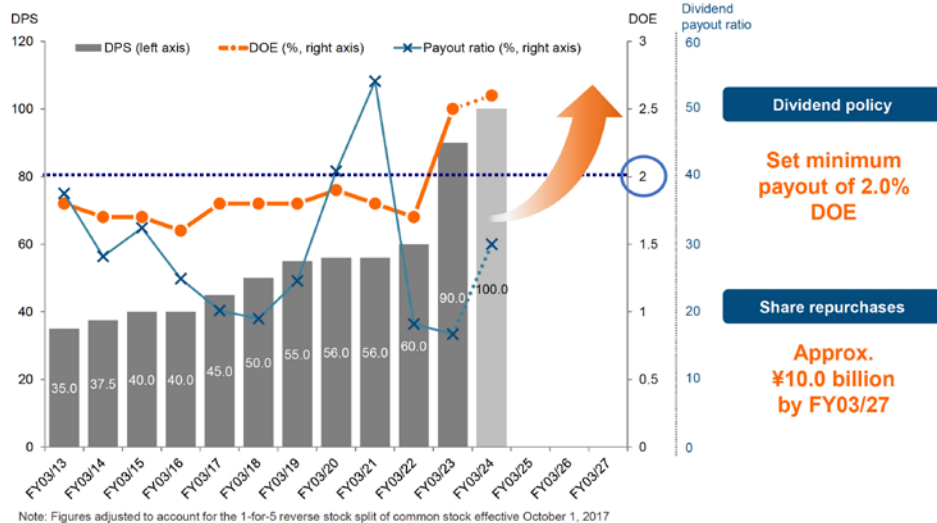
The Company’s basic policy is to maintain stable dividends, and in the 47 years since 1975 it has not reduced its dividend. The Company has even maintained its dividend despite the rapid worsening of earnings in the travel services business due to the COVID-19 pandemic. The Company plans to maintain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

In its seventh medium-term business plan, the Company’s dividend policy includes maintaining dividend on equity ratio (DOE) of no less than 2.0%. Over the past 10 years, it has managed to keep DOE between 1.5% and 2.0%. This is evidence of a disciplined approach to DOE management.

The Company paid an annual dividend of ¥90.0 in FY3/23, an increase of ¥30.0 YoY. For FY3/24, despite the forecast of decreases in sales and profit, the Company plans to focus on maintaining stable dividends and will increase its annual dividend by ¥10.0 YoY to ¥100.0 (interim dividend of ¥50.0 and a year-end dividend of ¥50.0).

In its seventh medium-term business plan, the Company plans to implement share buybacks totaling around ¥10bn by FY3/27. It will further enhance shareholder return through stable dividends and agile share buybacks.

Trends in dividend per share, dividend payout ratio, and DOE



Source: The Company’s results briefing materials



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