First Quarter of FY 3/2020

Financial Results Briefing Materials

Scheduled for August 7, 2019

TSE 1 Code: 6569

NISSO CORPORATION

日総工産株式会社

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1. Financial Results Summary for FY 3/2020 1Q

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FY 3/2020 1Q Non-consolidated Financial Results Highlights

- Although clients were cautious about increasing staff due to the U.S.-China trade friction and the impact of consumption taxes at FY-start, demand for human resources increased from mid-May, spurring a 13.5% YOY increase in net sales due to the placement of skilled staff mainly in the automobiles Account Company
- In terms of costs, although upfront investments such as housing-related and educational costs, as well as lump-sum payments to employees were incurred for 2Q, operating profit increased by 17.3% due to efforts to control SG&A expenses

(Unit: Million yen)

	FY 3/2019 1Q		FY 3/2020 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	14,590	100.0%	16,566	100.0%	1,975	13.5%
Gross profit	2,515	17.2%	2,794	16.9%	279	11.1%
SG&A expenses	2,115	14.5%	2,325	14.0%	210	9.9%
Operating profit	399	2.7%	468	2.8%	69	17.3%
Ordinary profit	411	2.8%	469	2.8%	58	14.2%
Profit	259	1.8%	342	2.1%	82	31.7%

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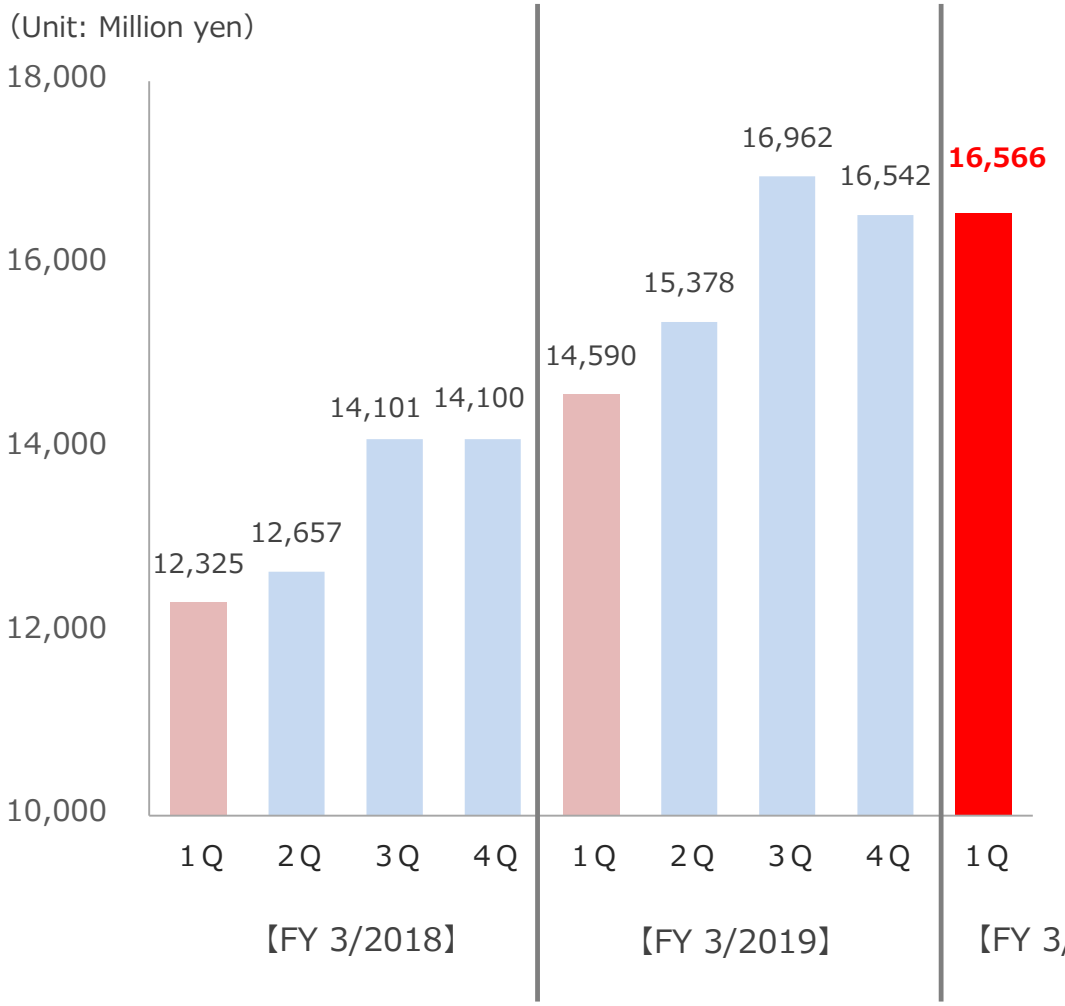
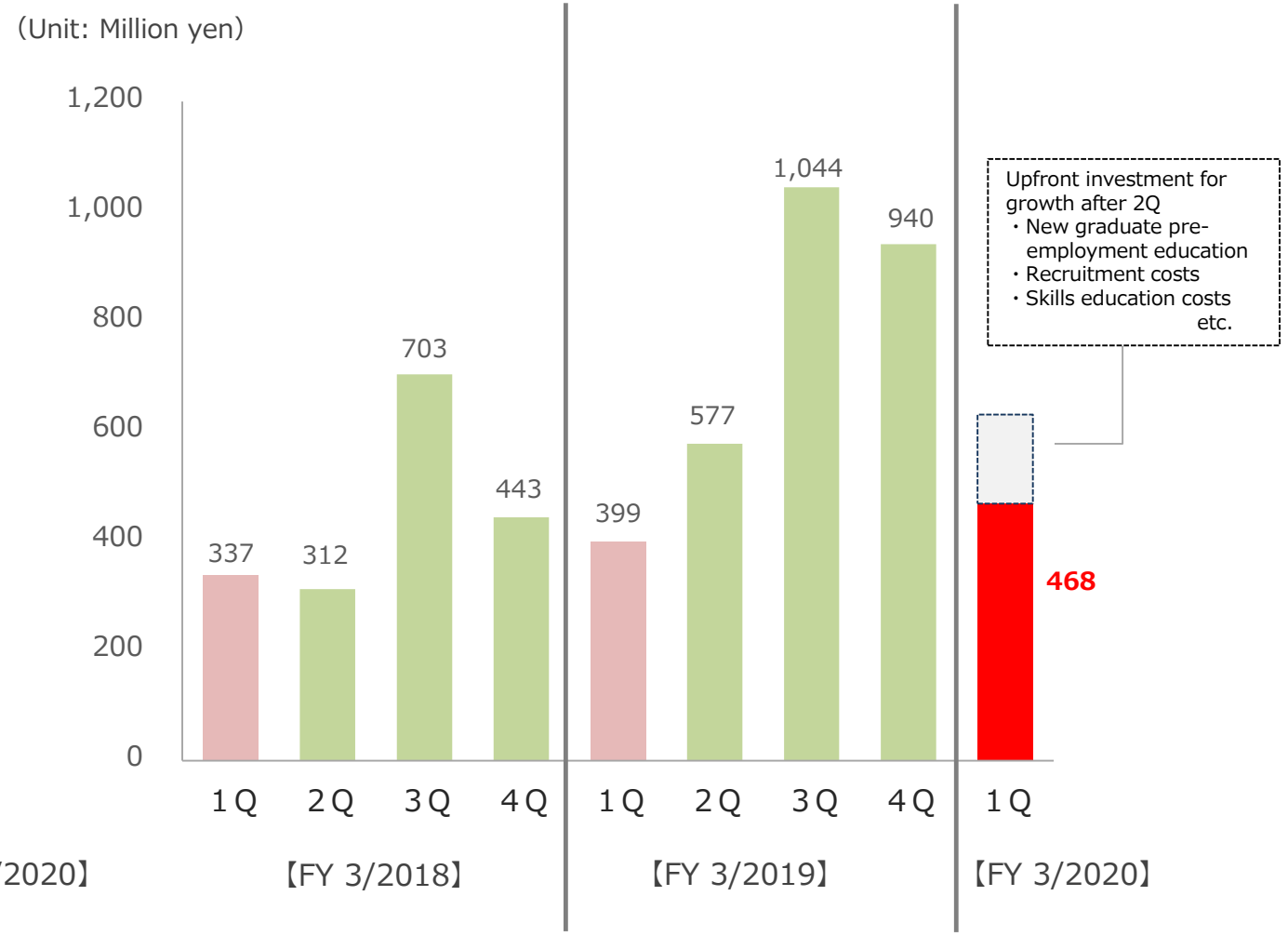
FY 3/2020 1Q Quarterly Non-consolidated Financial Results Trend

Net sales



Operating profit



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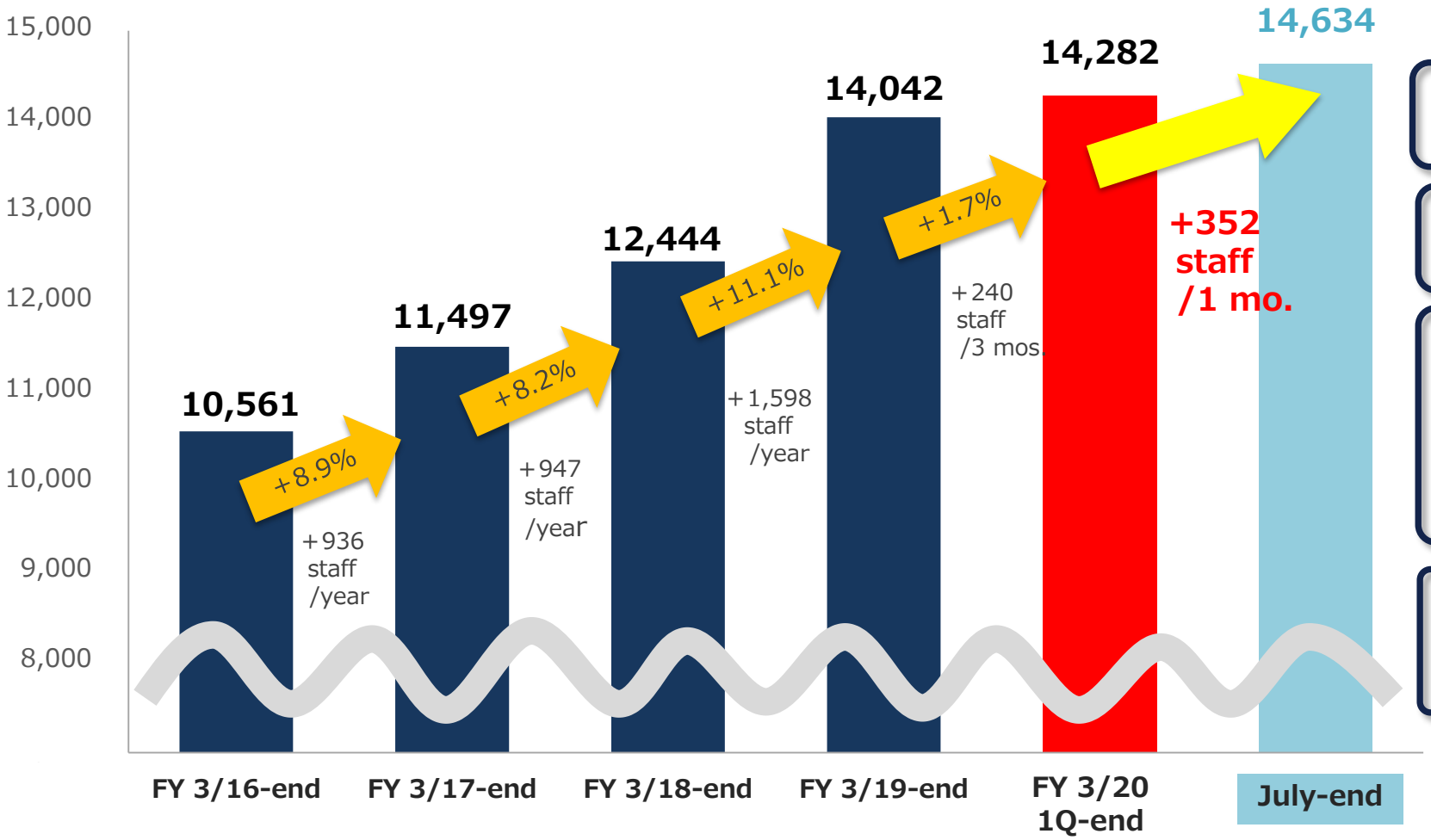
Trend of Enrolled Staff (NISSO, Non-consolidated)

Trend of Number of Enrolled at FY-end

(Unit: # of Staff)



- Increase of 240 staff from previous FY-end (1.7%)
- Increases in mainly automobiles-related companies
- Although the domestic manufacturing mindset was sluggish, production conditions showed signs of recovery from the second half of 1Q, and orders to NISSO increased
- 14,634 staff enrolled at July-end
  Expected to increase enrollment steadily in the future

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FY 3/2020 1Q Consolidated Financial Results Highlights

- Human Resources Services Business: Skilled staff and Account Companies strategies continued to develop, and although impacts of client company trends at FY-start, in addition to the incurrence of upfront investment for 2Q, business performance remained strong
- Other Businesses: Increase in net sales due to increases in the number of residents at Sweetpea Higashi Totsuka, promotion of operational efficiency, and recording of profits

(Unit: Million yen)

	FY 3/2019 1Q		FY 3/2020 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	15,999	100.0%	17,983	100.0%	1,984	12.4%
Gross profit	2,661	16.6%	2,964	16.5%	302	11.4%
SG&A expenses	2,288	14.3%	2,486	13.8%	197	8.6%
Operating profit	372	2.3%	477	2.7%	104	28.2%
Ordinary profit	389	2.4%	490	2.7%	101	26.0%
Profit attributable to owners of parent	242	1.5%	357	2.0%	115	47.6%

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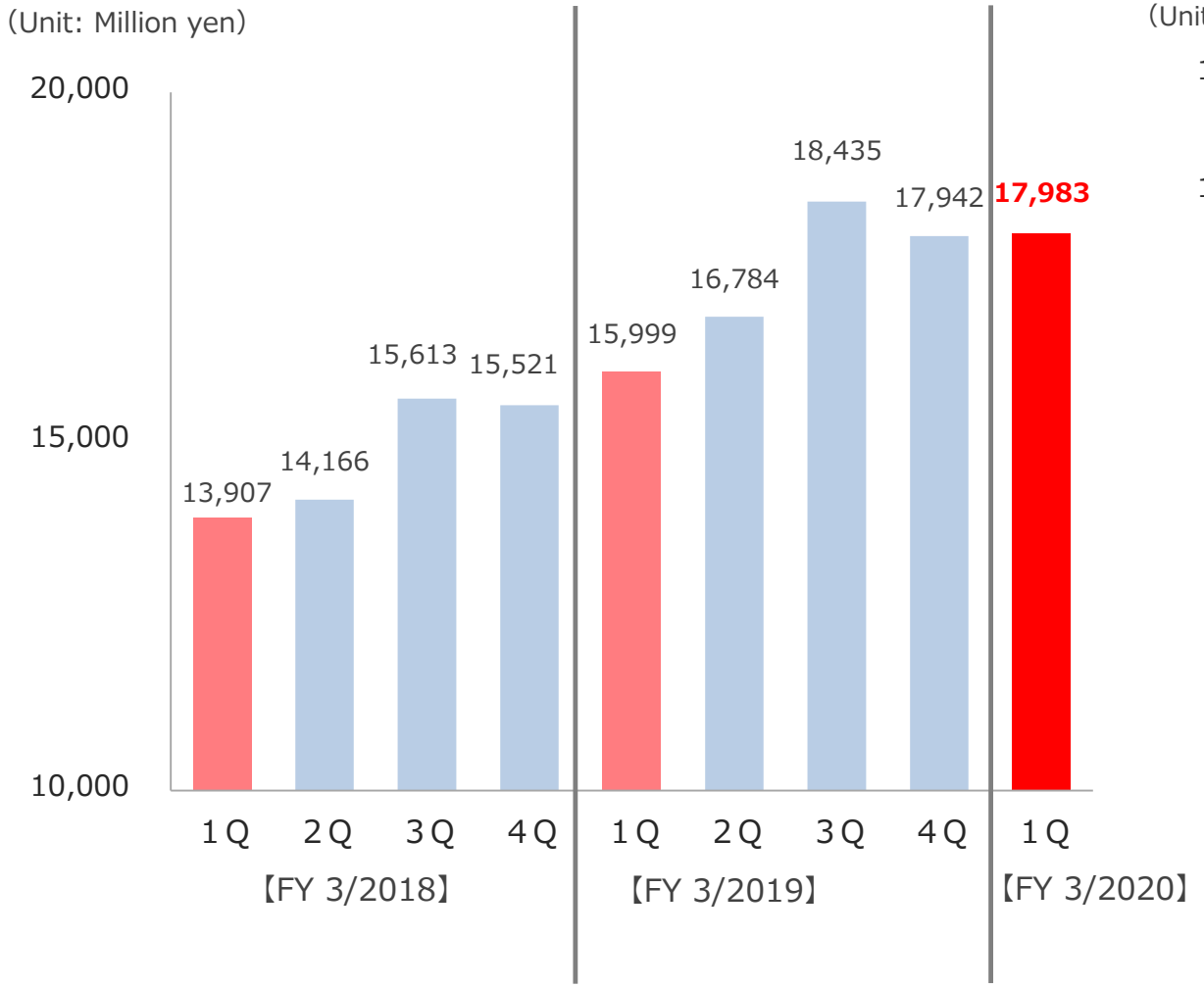
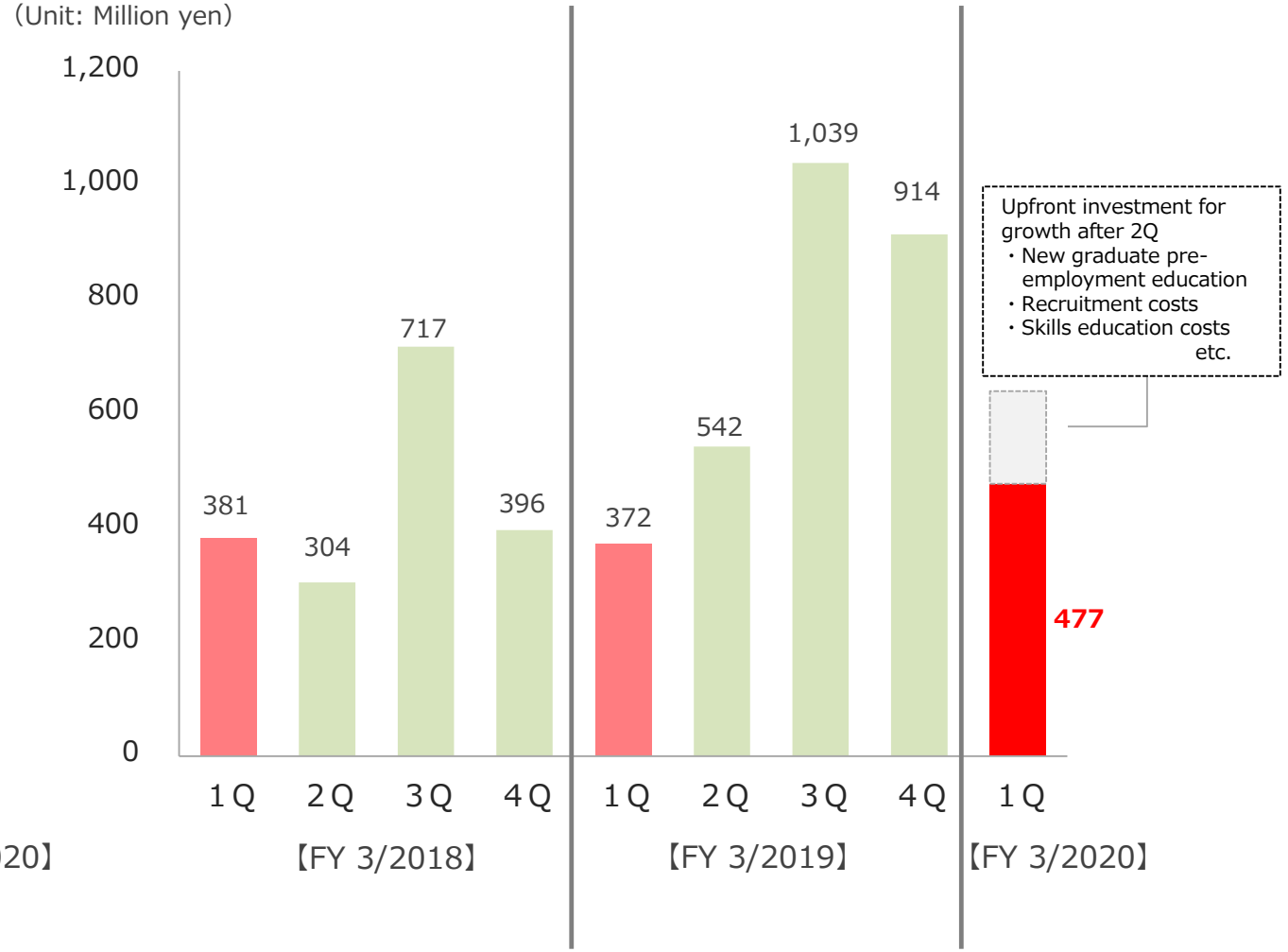
FY 3/2020 Quarterly Consolidated Financial Results

Net sales



Operating profit



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1-1 Overview of Activities

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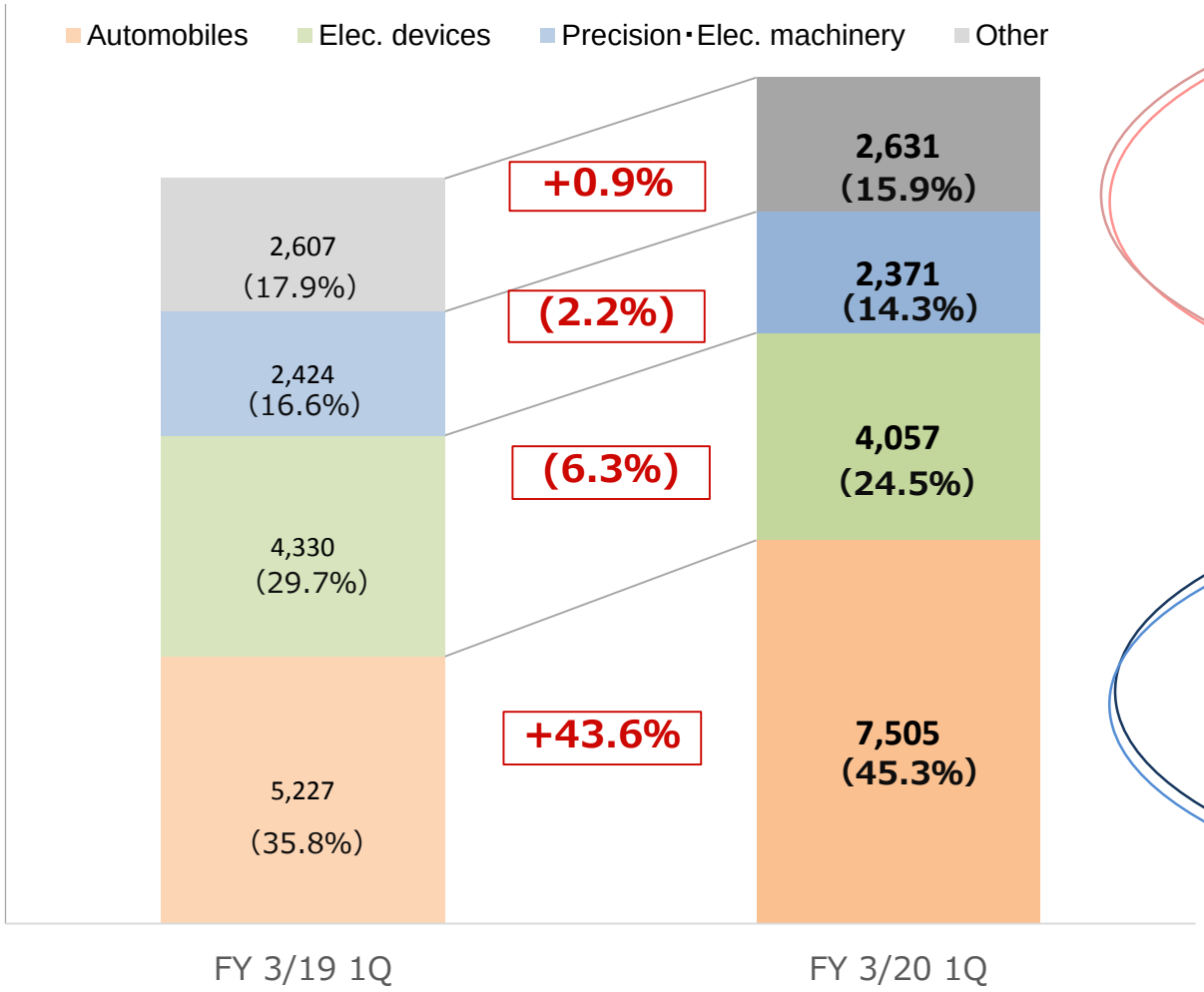
1Q Net Sales by Industry (NISSO, Non-consolidated)

Trend of Net Sales Composition Ratios

(Unit: Million yen)



※ ( ) = % of Total net sales, □ = % of Year-on-Year growth

Automobiles

Net sales in the automobiles industry, where there is a high composition ratio, grew substantially
Net sales are expected to increase in the future due to new model launches and strong production of high-end models

Electronic devices

Although demand continued to stagnate from the previous FY-end, and net sales declined YOY, net sales are expected to increase in the future with partial increases production for smartphones and in-vehicle components after Golden Week

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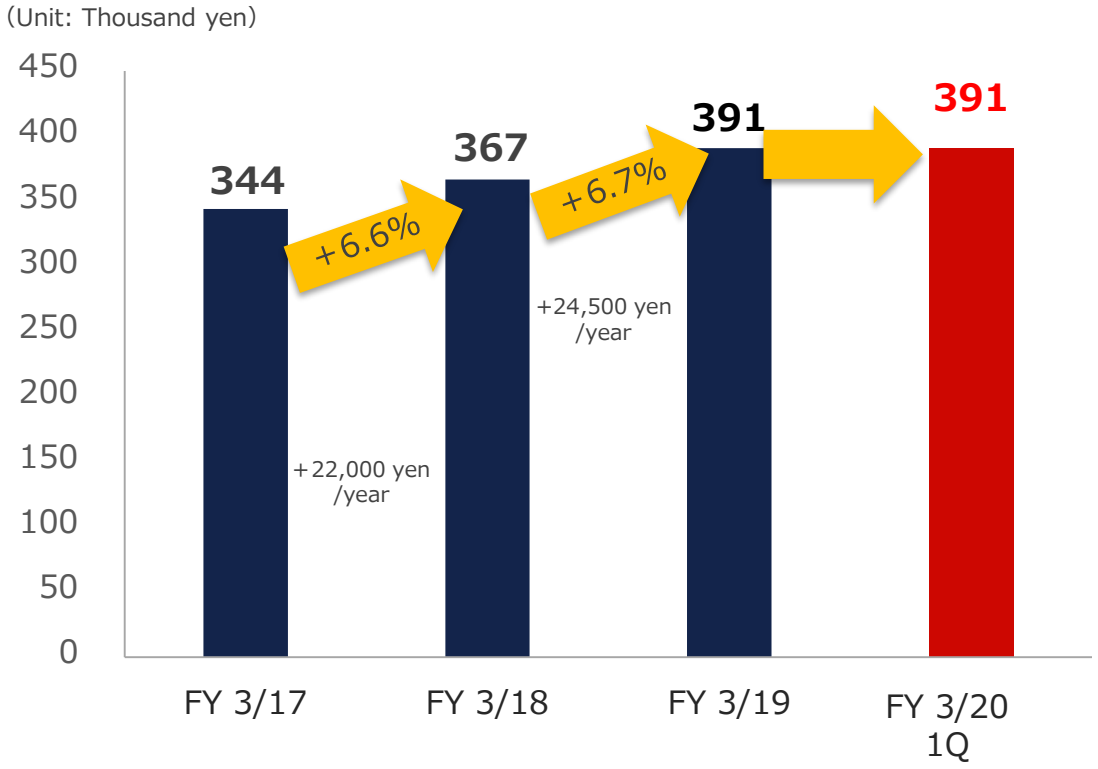
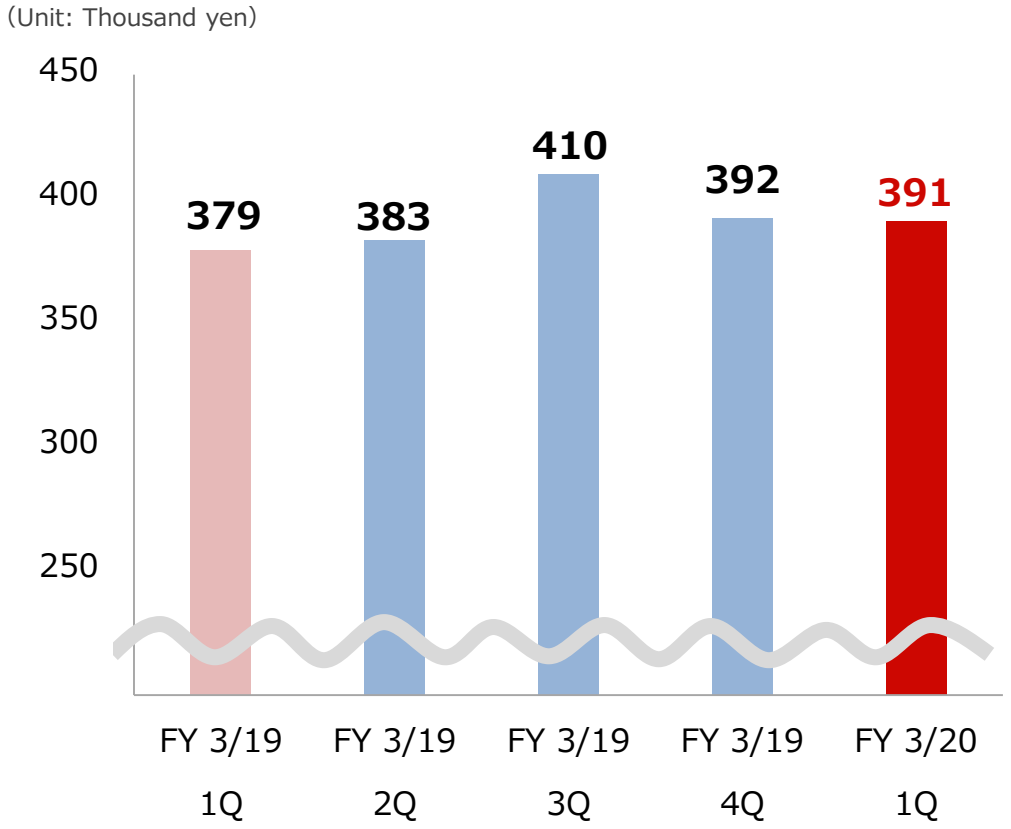
Trend of Net Sales per Capita (NISSO, Non-consolidated)

- FY 3/20 1Q net sales per capita: 391 thousand yen
- As a result of staff assignment to "next" (future) Account Companies, etc., net sales per capita is at same level as previous FY results

Net Sales per Capita (monthly average conversion)



Net Sales per Capita (quarterly)



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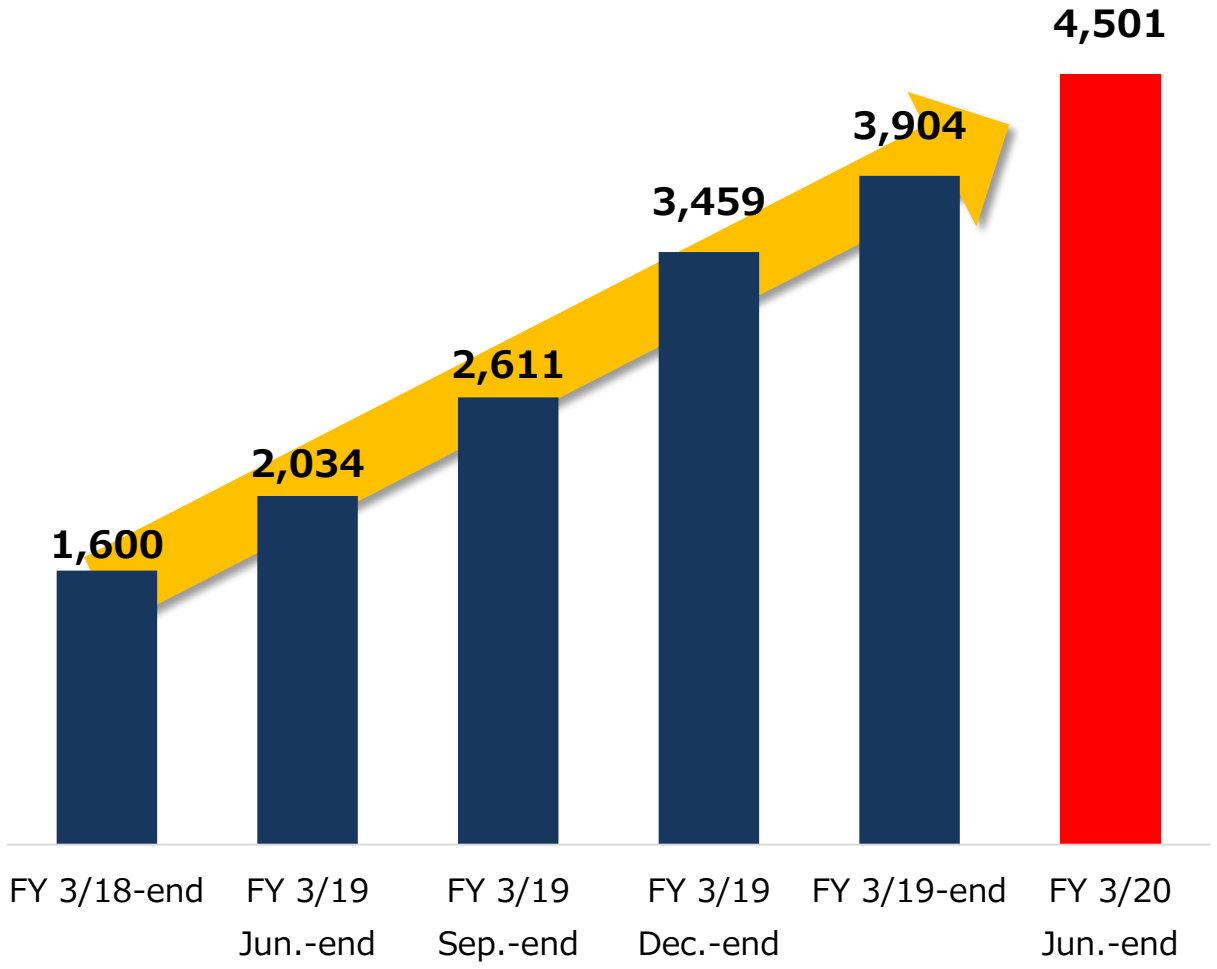
Number of Skilled Staff（NISSO, Non-consolidated）

Trend in Number of Skilled Staff

(Unit: # of Staff)



Number of skilled staff are increasing steadily

NISSO will continue to promote the development of skilled staff and strive to promote their assignment to high unit-cost production sites centering on Account Companies

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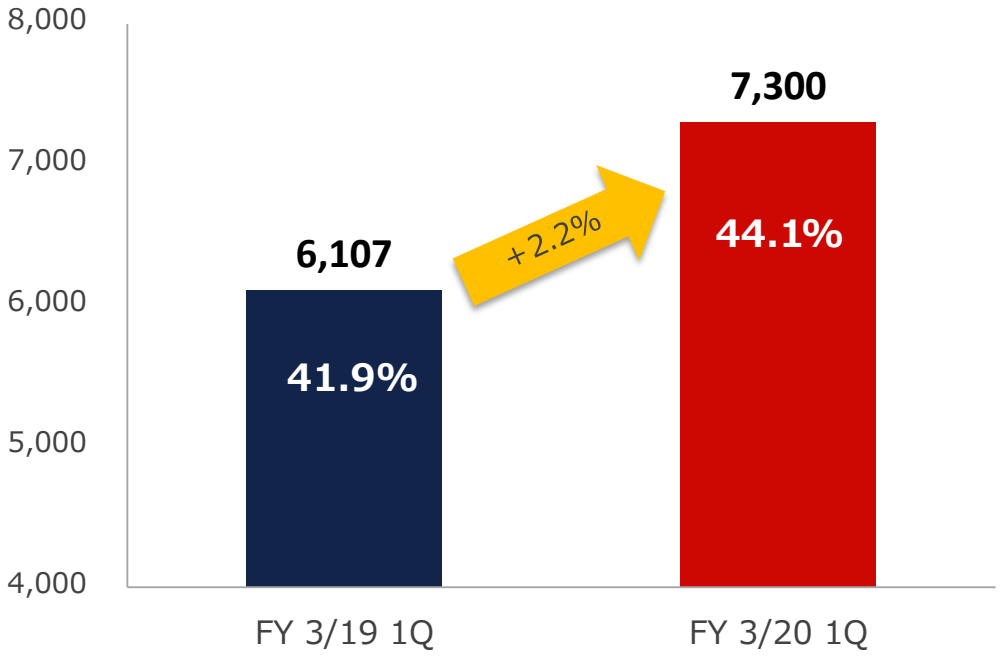
Account Companies (NISSO, Non-consolidated)

Account Company Groups Net Sales and % of Total

(Unit: Million yen/%)



	FY 3/19 1Q	FY 3/20 1Q	Increase
Accounts total (4 Groups)	6,107	7,300	1,192
Total net sales	14,590	16,566	1,975
% of Total	41.9%	44.1%	2.2 pts

Account Companies net sales share ratio in 1Q was 44.1%

Production conditions of Account Company Groups grew significantly for the automobiles company group
Although demand from electronic components companies continued to stagnate from the second half of the previous FY, production recovered after Golden Week

Future production trends of Account Company Groups are expected to remain strong

[Reference]
FY 3/19 % of Total: 43.3%

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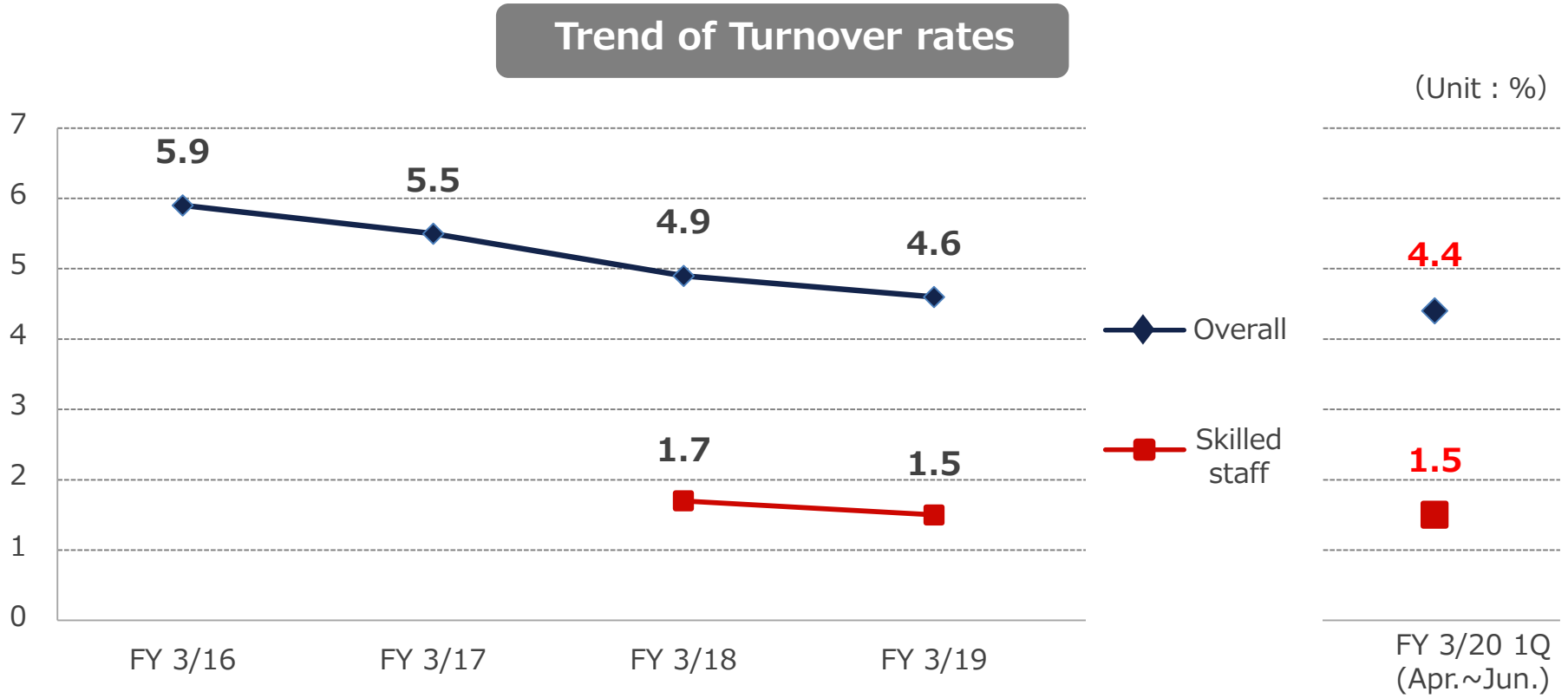
Turnover Rates (NISSO, Non-consolidated)

- FY 3/2020 1Q Overall turnover rate: 4.4% (-0.2 pts vs. FY 3/2019)
- Skilled staff turnover rate remained at 1.5% from FY 3/2019



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Educational Achievements（NISSO, Non-consolidated）

1Q Course-specific educational achievements (total # of participants)

(Unit: # of Participants)

Training course name	1Q (Apr - Jun)		FY 3/19 Total
Skilled staff education	393	Standard skilled staff education	2,522
Accredited vocational training education	72	Accredited vocational training school (Miyagi・Nagano Prefectures)	318
Manufacturing education	312	*MONOZUKURI* (manufacturing) {basic, advanced, expert} education, pre-assignment training for manufacturing staff, mobile education	3,047
Safety education	162	Danger・risk simulation education	1,322
Basic maintenance education	39	Basic equipment maintenance education	167
Employee education	184	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education	292
Other education	28	Entrusted education from external sources	22
Total	1,190		7,690

1,190 educational participants for 1Q

Steady increase in participants for basic maintenance education; working at major semiconductor manufacturers upon course completion

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Other Businesses Business Revenue

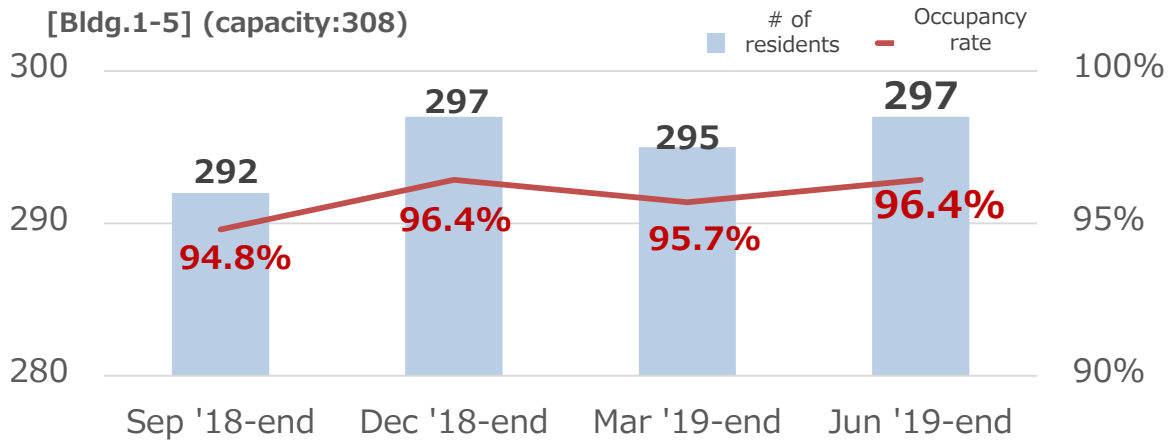
Results of Other Businesses

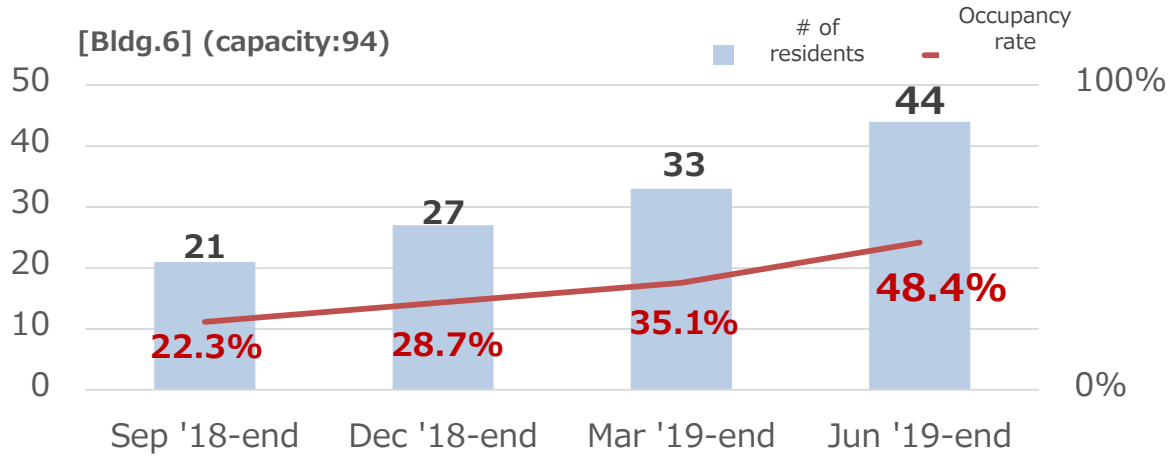
(Unit: Million yen・%)

	FY 3/19 1Q		FY 3/20 1Q		Year-on-Year		FY 3/19
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change	Full year
Net sales	587	100.0%	**673**	**100.0%**	85	14.5%	2,485
Expenses	669	113.9%	**663**	**98.7%**	(5)	(0.8%)	2,732
Operating profit (loss)	(81)	(13.9%)	**9**	**1.3%**	90	–	(247)

- Increase in net sales due to increase in number of residents at Sweetpea Higashi Totsuka
- Other facilities (Bldg. 1 - 5) maintained high occupancy rates
- Aiming to achieve full year profitability through continued increase in Higashi Totsuka residents and promotion of efforts to control expenses

Trend in # of facility residents





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1Q Financial Results Summary

Consolidated Financial Results
Net Sales 17,983 Million yen
(+12.4% year-on-year)
Operating Profit 477 Million yen
(+28.2% year-on-year)

- Net sales remained strong
- Implemented upfront investment in initial expenses (key money, brokerage fees) related to establishment of dormitories corresponding to new transactions, as well as for personnel expenses such as bonuses, etc.

Net Sales by Industry
Automobiles …+43.6%
Electronic devices …(6.3%)

- Net sales for the automobiles industry were maintained at previous 4Q level
- With regards to the electronic devices industry, although smartphone-related net sales decline affected the first half of 1Q, there was a certain amount of recovery

Quarter-end Number of Enrolled Staff
14,282 Staff (+240 from FY 3/19-end)
…+606 Staff in FY 3/19 1Q

- Net increase during the quarter decreased compared to FY 3/19 1Q
- With the recovery in the electronics devices industry, number of enrolled staff at July-end was 14,634, or +352 compared to June-end

Net Sales per Capita/Monthly
391 Thousand yen
(approx. same level vs. FY 3/19)
…+12 Thousand yen in FY 3/19 1Q

- Price (unit-cost) negotiations progressed as planned
- In 1Q, while production trends of some Account Companies were cautius, NISSO plans to increase dispatching to next (future) Account Companies, which have relatively mid-level unit-costs

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1-2 Future Prospects

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Future Market Trends

Demand Environment	**Automobiles･･･With the introduction of new car models and stable production of high-end models, production is expected to remain on an upward trend, supported by strong domestic and overseas demand from finished vehicles and parts (high prices expected to end in the middle of 2Q)** **Electronic devices･･･Automotive parts and related parts tend to increase due to demand for electrical equipment and self-driving related technologies (parts for accident prevention functions)**
Recruiting Environment	**While the effective opening-to-application ratio of jobs has been high, job openings in the manufacturing industry have tended to decrease, but demand from clients at the moment (jobs) have tended to increase**
Client Environment	**Human resources strategies of the client companies have not changed the flow from direct employment to the use of external human resources**

NISSO's client trends have been steady, and demand for human resources is expected to increase

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Creation of diverse job opportunities

Collaboration with Nikon Corporation in the Dispatching Business

NISSO has established a partnership with Nikon Corporation in connection with Nikon Staff Service Corporation (Representative Director: Hiroyuki Yamaishi, Shinagawa-ku, Tokyo), a subsidiary of Nikon Corporation (Representative Director: Toshikazu Umatate, Minato-ku, Tokyo) in the dispatching business, where a basic agreement was concluded.

Notice of Collaboration with Nikon Corporation in the Dispatching Business (announced July 12, 2019)

Against the backdrop of a declining birthrate・aging population and a declining labor force, the activities of the elderly and women are progressing.
As a result, it has become necessary to create an environment where people can work in various ways, such as working hours, places of work, working conditions, work contents, etc., and at the same time, increasing labor productivity has become a major issue for Japan.

NISSO felt the need to develop opportunities for diverse human resources to work, and has positioned this collaboration as a concrete first-step in addressing these issues, and in doing so, has reached a basic agreement.

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Utilization of overseas human resources

Nurturing of New Graduate Chinese Engineers

- 1st Term (Company entrance: September 2018　10 graduates)
  → Actively working in client companies using specialized, technological knowledge
- September 2019 Company entrance of 18 graduates for 2nd Term is planned



Utilization of Foreigners of Japanese decent

- Recruitment of human resources utilizing Japanese communities in regional areas
- Launch of trial production sites (High retention rate results)
- Future activities　Launch of horizontal deployment-type foreign workers utilization production sites
  Development of leaders, expansion of communities, and increase in recruitment

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ESG Activities

Nisso Pure Appreciation Festival (7/25・26, 2019)

NISSO's special-purpose subsidiary "Nisso Pure Co., Ltd." held an annual activity report meeting.

This year's event (12th Annual) was celebrated by a total of 385 visitors, and school officials, employment support agencies and parents visiting.





- At the Appreciation Festival, employees with disabilities presented the results of their daily activities to visitors and performed demonstration sales
- Also, employees with disabilities interviewed top executives of each Nisso Group company and distributed the contents in newspaper-form.

Great East Japan Earthquake 2019 Reconstruction Support Activities (6/23/2019)

Since after the Great East Japan Earthquake, Yokohama FC has been carrying out reconstruction support activities for eight years in Fukushima Prefecture with the catchphrase "Do not get weathered. Continuation of support". This year, NISSO co-sponsored the activities.





(Notes presented to children)

- This year, a "Reconstruction Support Match" was held at J Village, which was fully reopened in April 2019 as a symbol of reconstruction
- On the same day, we sponsored a soccer class for children and supported the reconstruction.

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2. Earnings Forecast for FY 3/2020

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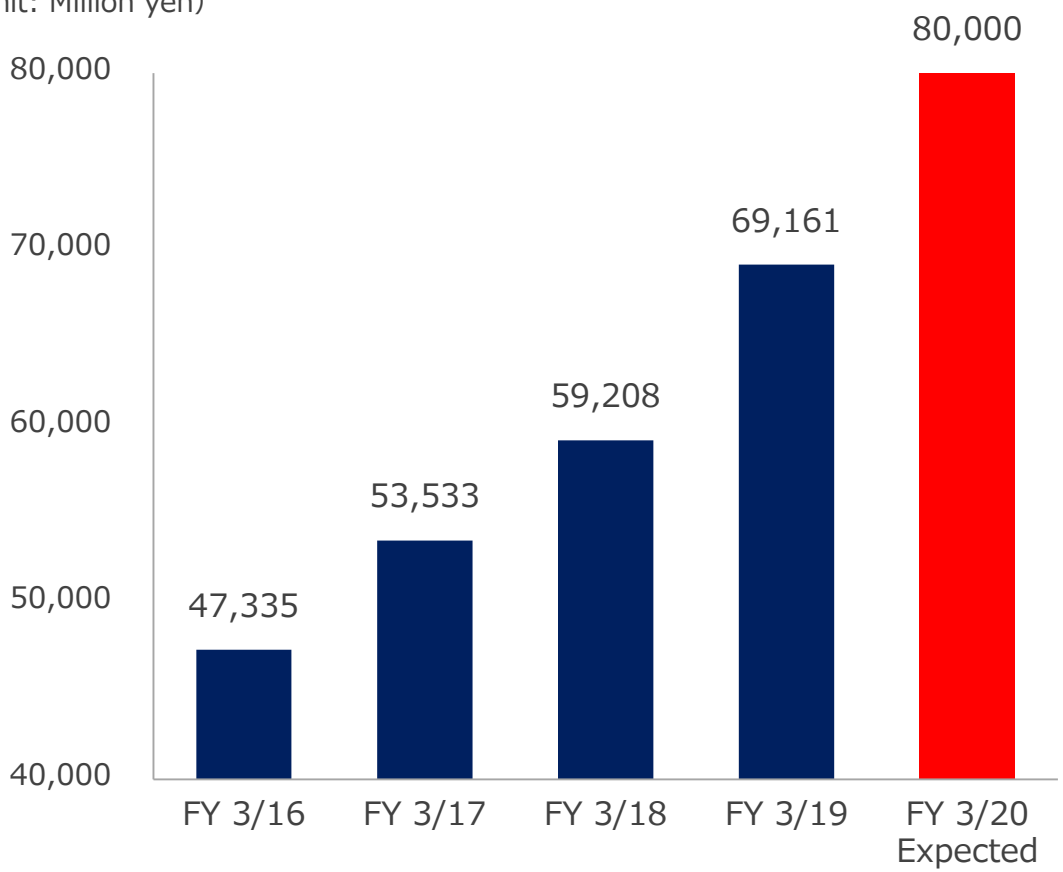
Outlook for Consolidated Earnings Trends

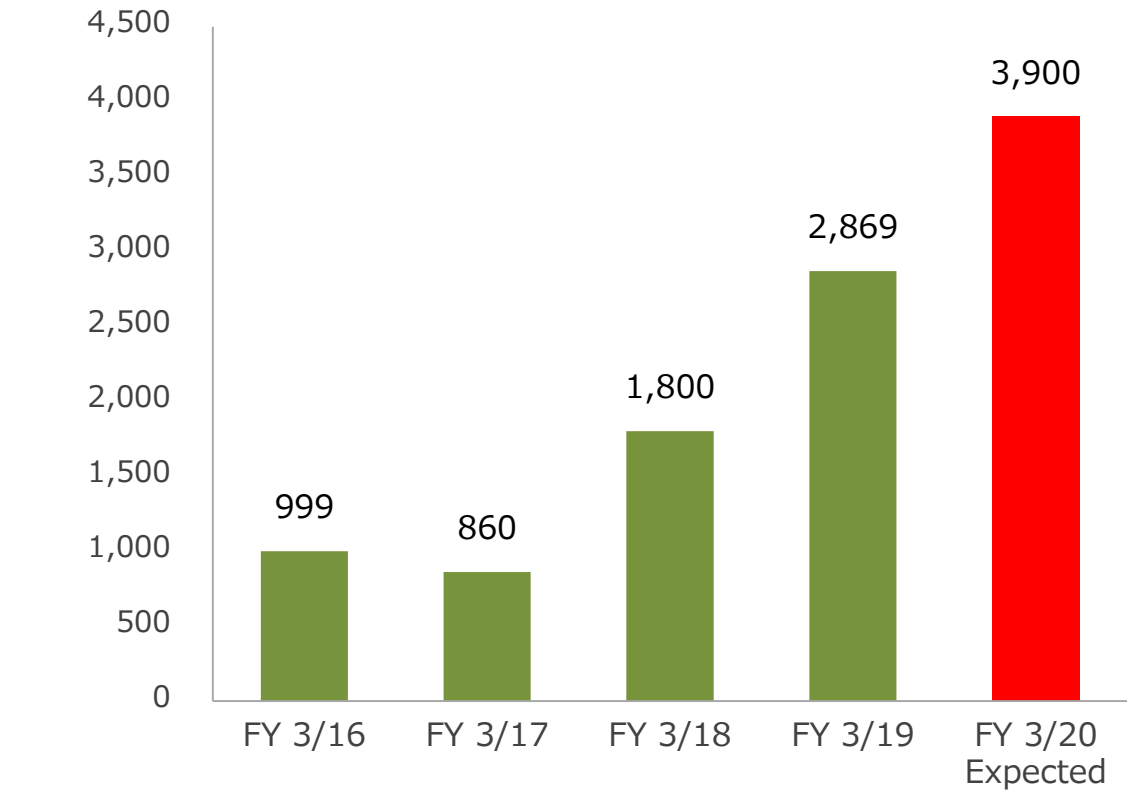
Net sales

(Unit: Million yen)



Operating profit

(Unit: Million yen)



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3. Shareholder Return Policy

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Shareholder Return Policy

- NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues, taking into consideration the balance between securing funds for growth investments and strengthening the corporate structure that can respond to changes in the business environment, and our basic policy is to continue to steadily redistribute profits to all of our shareholders.

FY 3/19 dividend payout

18.5 yen/share

(Consolidated dividend payout ratio 30.0%)

FY 3/20 dividend (Expected)

25.0 yen/share

(Consolidated dividend payout ratio 30.4%)

NISSO's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019,
and the FY 3/19 dividend payout shown above is the dividend payout amount after the stock split.

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The forward-looking statements and performance forecasts contained in this document are forecasts determined by NISSO based on information available at the time of preparation, and include potential risks and uncertainties. Therefore, please be aware that the actual results may differ greatly from the forward-looking statements described due to changes in various factors.

〈For future IR-related inquiries〉

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