First Six Months of FY 3/2020

Financial Results Briefing Materials

Scheduled for November 11, 2019

TSE 1 Code: 6569

NISSO CORPORATION

日総工産株式会社

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1. Financial Results Summary for the First Six Months of FY 3/2020 (2Q)

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FY 3/2020 2Q Non-consolidated Financial Results Highlights

- Net sales increased by 13.3% YOY mainly due to the strong performance of the automobiles Account Company Group
- In terms of costs, operating profit increased by 15.8% YOY due to continued efforts to control SG&A expenses

(Unit: Million yen)

	FY 3/19 2Q		FY 3/20 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	29,969	100.0%	33,955	100.0%	3,986	13.3%
Gross profit	5,228	17.4%	5,887	17.3%	659	12.6%
SG&A expenses	4,251	14.2%	4,756	14.0%	504	11.9%
Operating profit	977	3.3%	1,131	3.3%	154	15.8%
Ordinary profit	983	3.3%	1,136	3.3%	153	15.6%
Profit	629	2.1%	777	2.3%	147	23.5%

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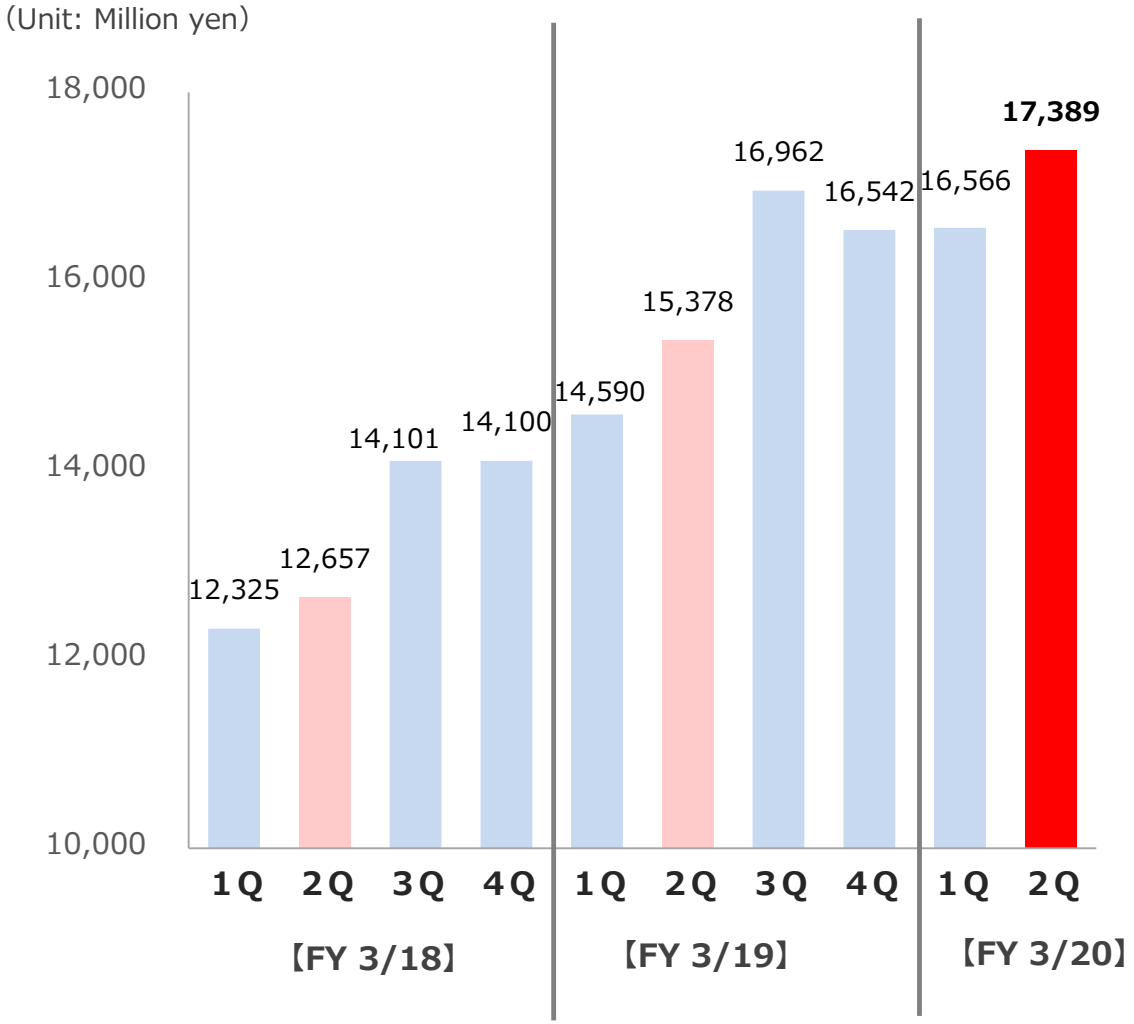
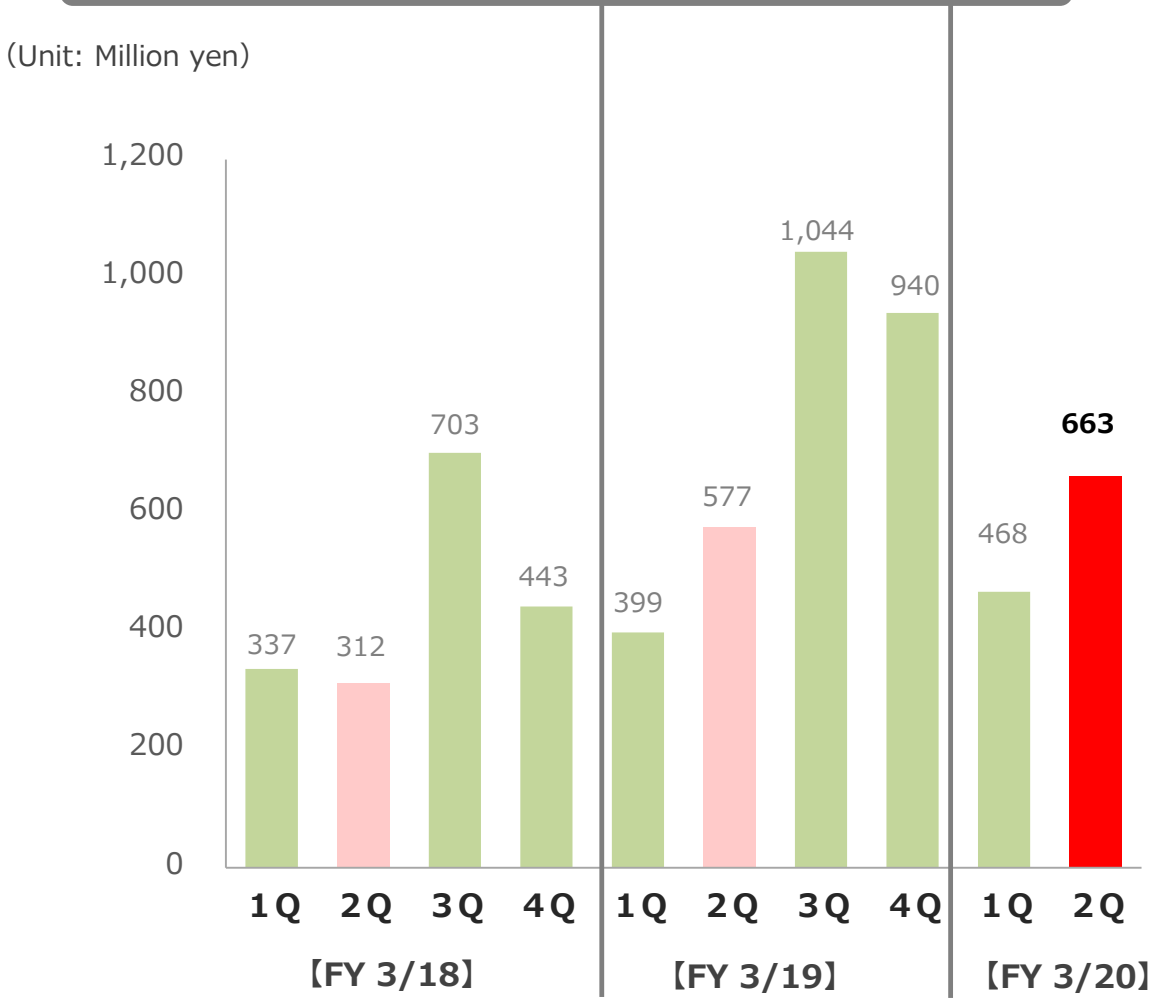
FY 3/2020 Quarterly Non-consolidated Financial Results Trends

Net sales



Operating profit



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FY 3/2020 2Q Consolidated Financial Results Highlights

- General Human Resources Services Business: Continued development/expansion of skilled staff and Account Companies strategies
  Although there were delays in the market recovery in some parts of the electronic devices industry, business performance expanded due to steady performance in the automobiles-related industry
- Other Businesses: Increase in net sales due to increases in the number of residents at Sweetpea Higashi Totsuka; aiming for further increase in number of residents

(Unit: Million yen)

	FY 3/19 2Q		FY 3/20 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	32,783	100.0%	36,797	100.0%	4,014	12.2%
Gross profit	5,508	16.8%	6,210	16.9%	701	12.7%
SG&A expenses	4,593	14.0%	5,082	13.8%	488	10.6%
Operating profit	915	2.8%	1,128	3.1%	212	23.2%
Ordinary profit	930	2.8%	1,154	3.1%	223	24.0%
Profit attributable to owners of parent	588	1.8%	785	2.1%	197	33.5%

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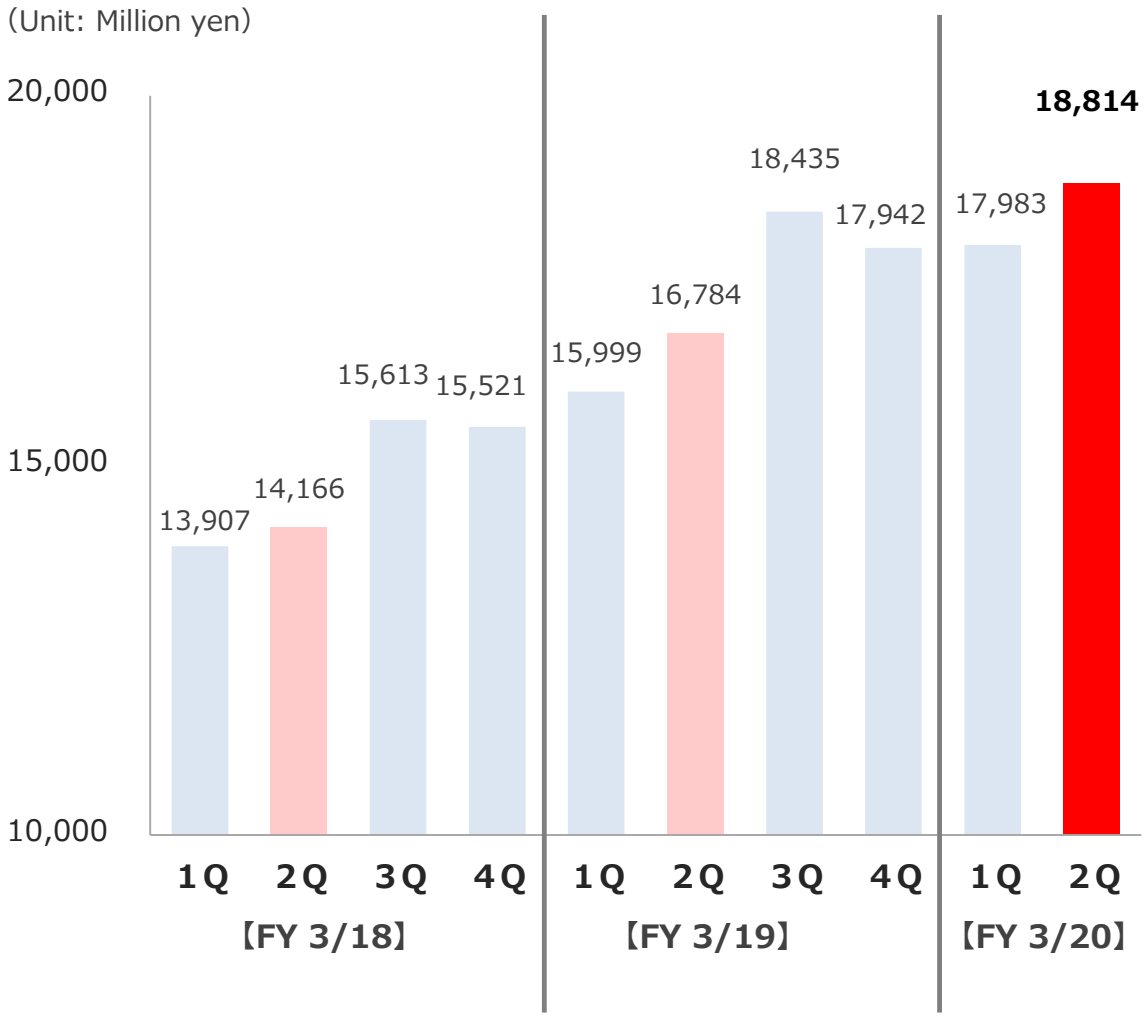
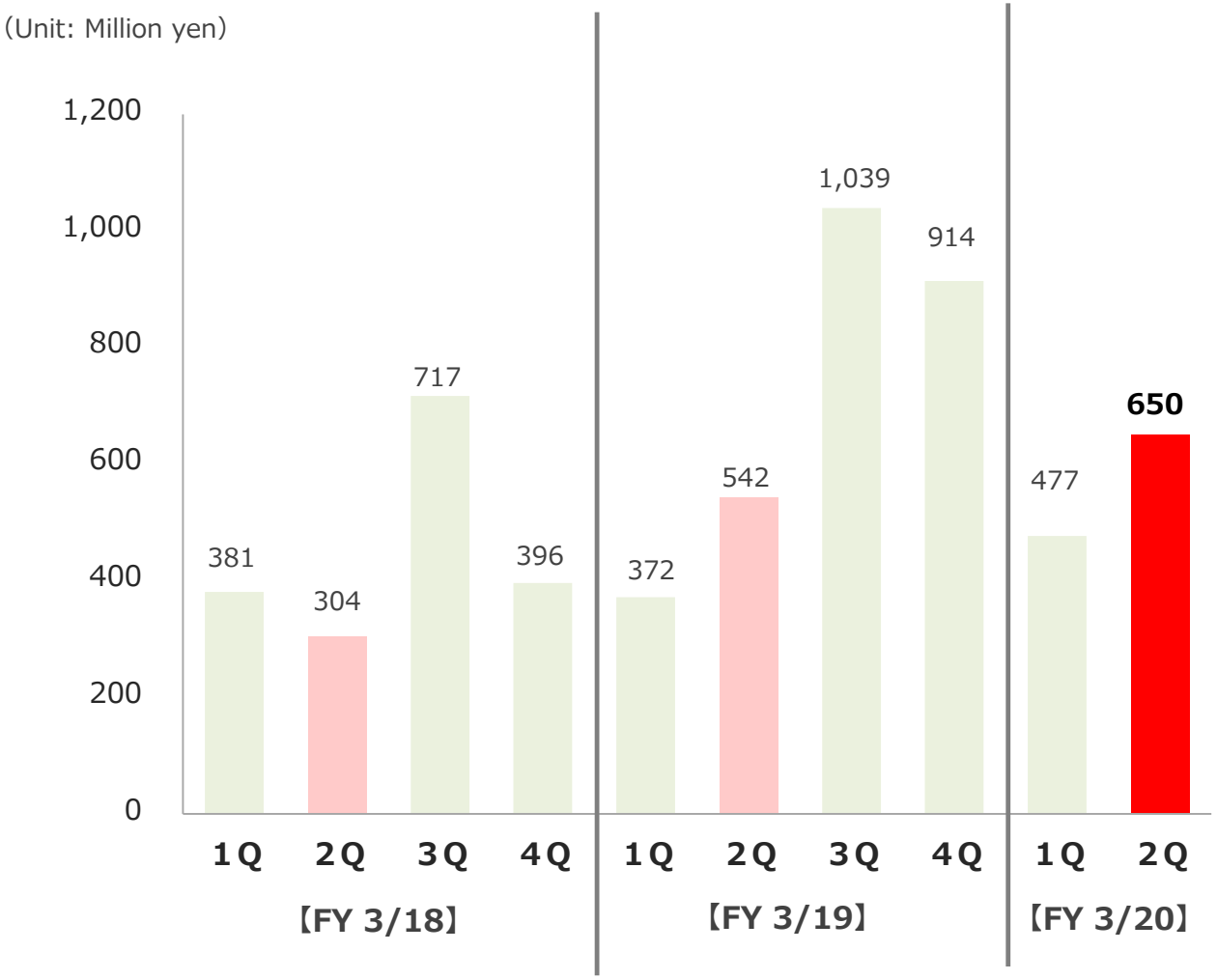
FY 3/2020 Quarterly Consolidated Financial Results Trends

Net sales



Operating profit



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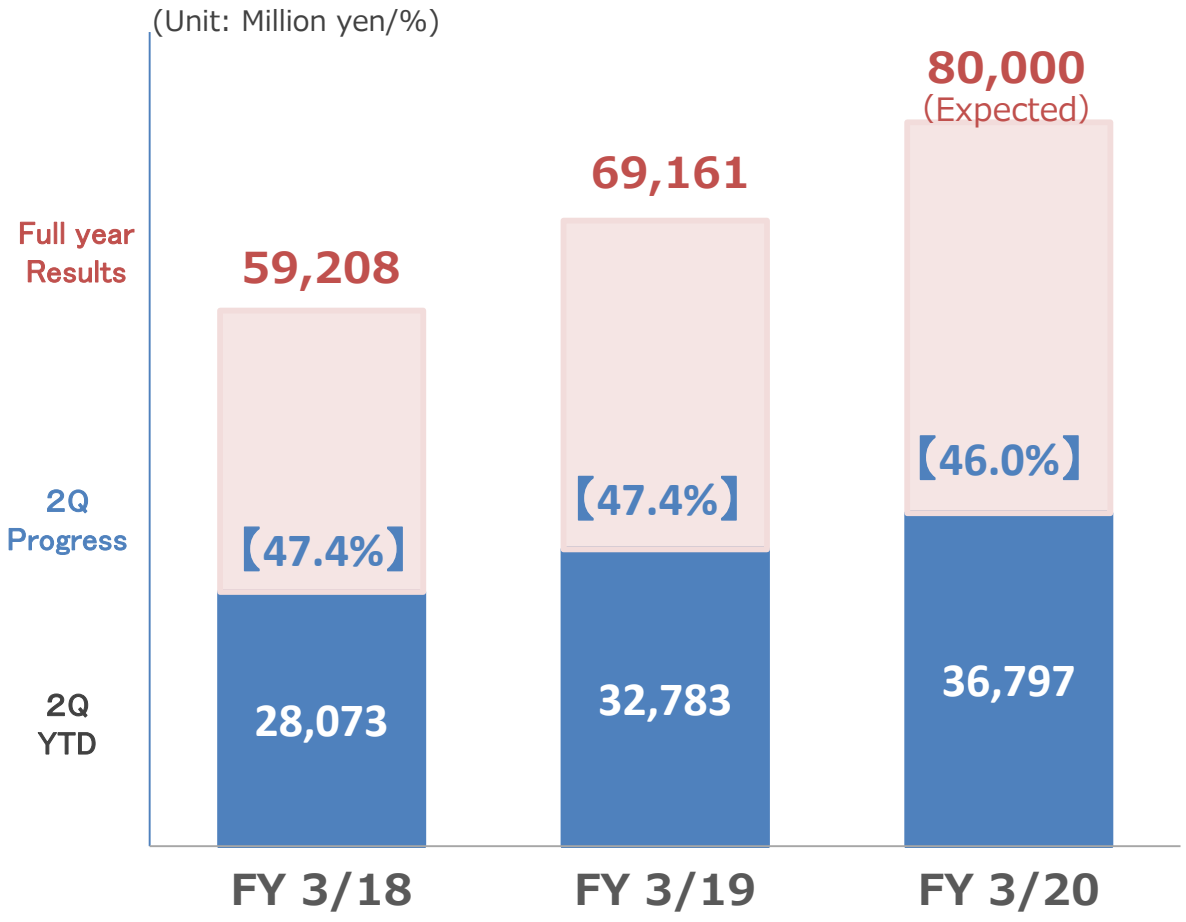
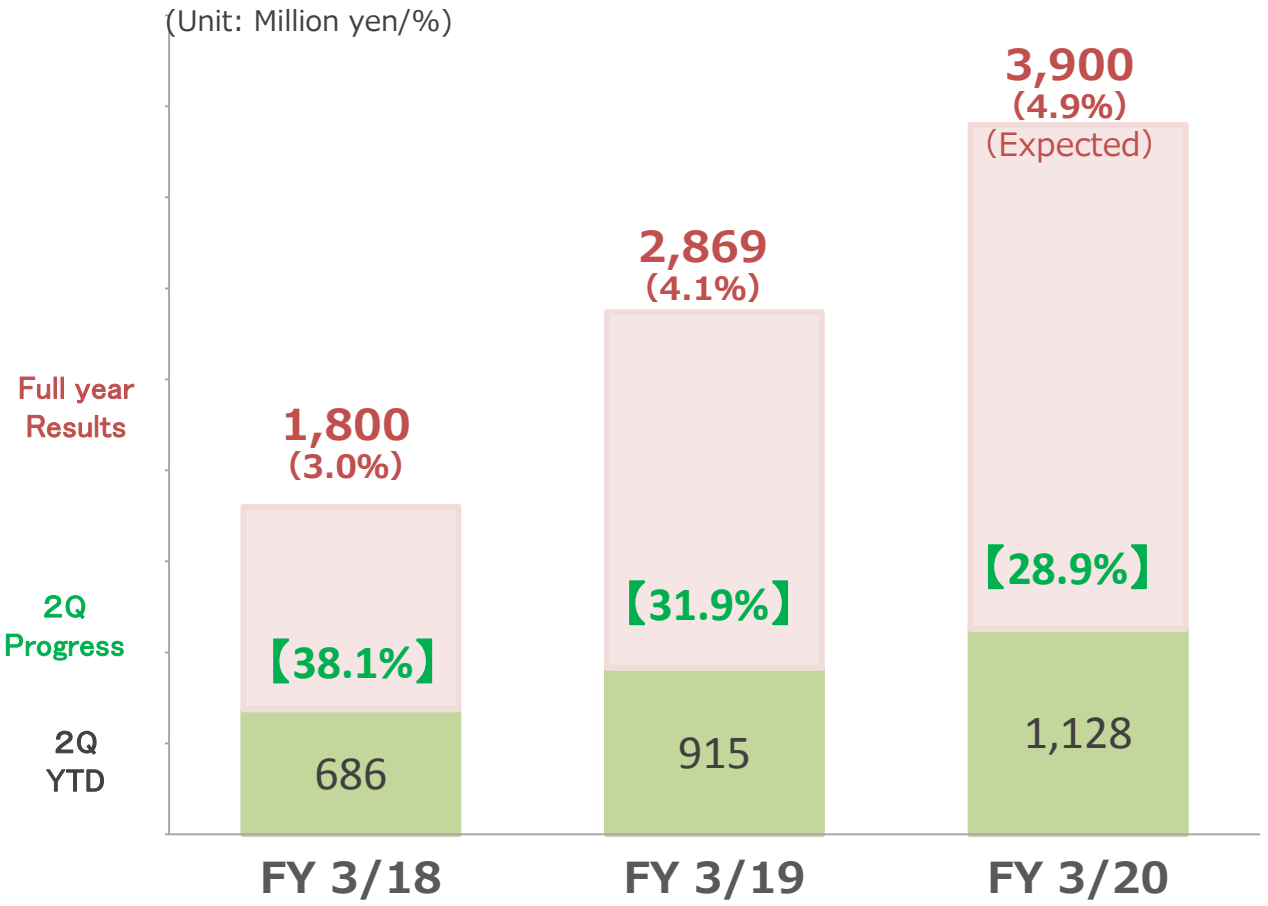
Progress of Consolidated Earnings Outlooks

【Net sales】



【Operating profit（Margin）】



- Progress toward FY earnings outlooks is trending similarly to previous year
- The second half of the FY (2H) will be the recovery period for priority investments made in the first half (1H), mainly in 1Q

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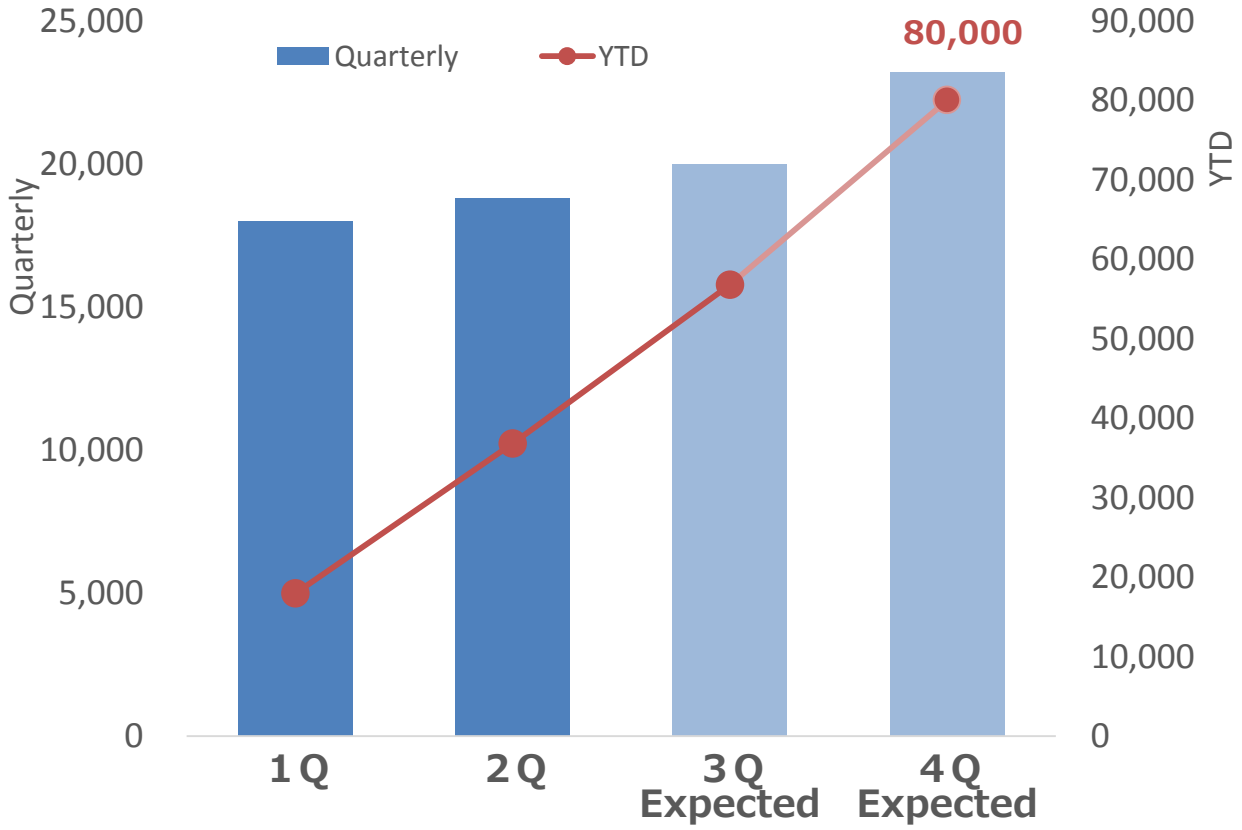
Outlook for Earnings Trends

【Net sales】

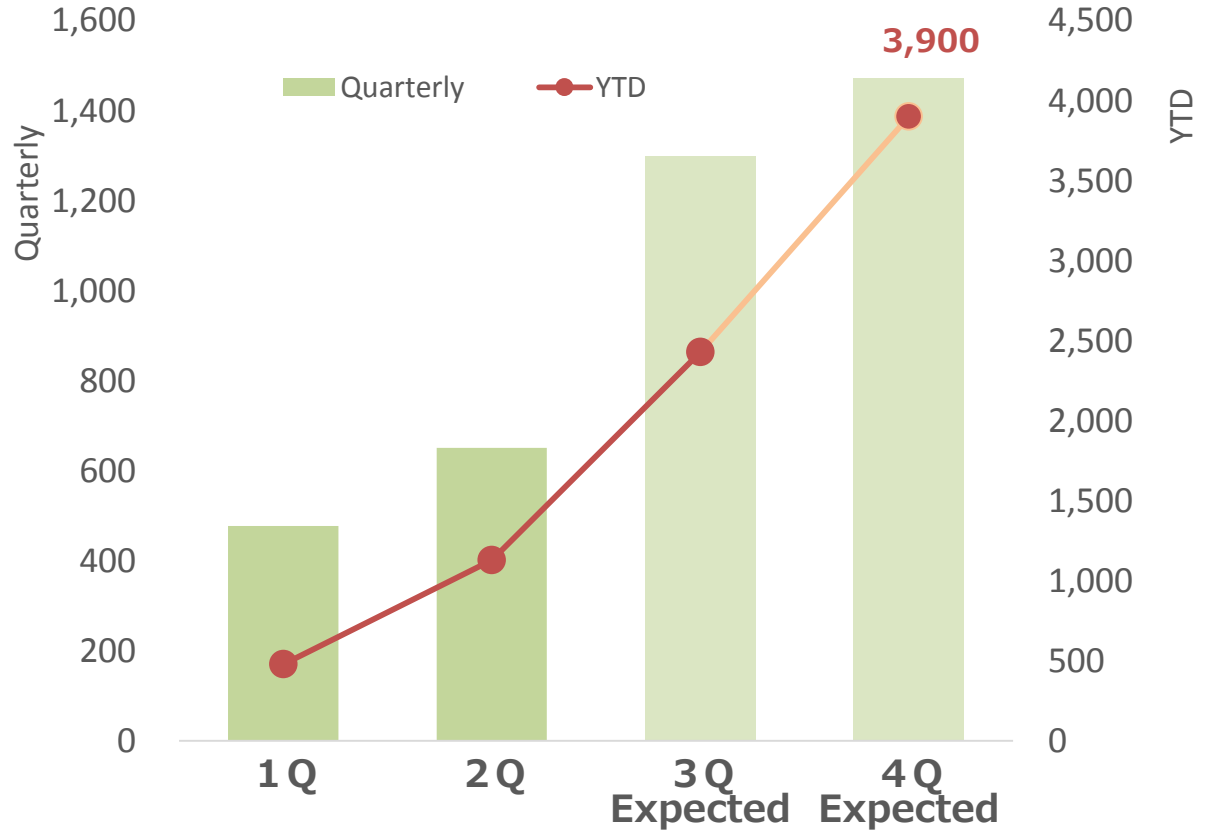
Working days	55	55	59	58

(Unit: Million yen)



【Operating profit】

(Unit: Million yen)



- Orders from automobiles-related clients have been decided for 2H, and NISSO will take advantage of investments made in 1Q to expand business performance
- Although the half-year allocation of full year earnings is ordinarily 1:2, it is expected to be 1:2.5 for this FY

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1-1　Overview of Activities

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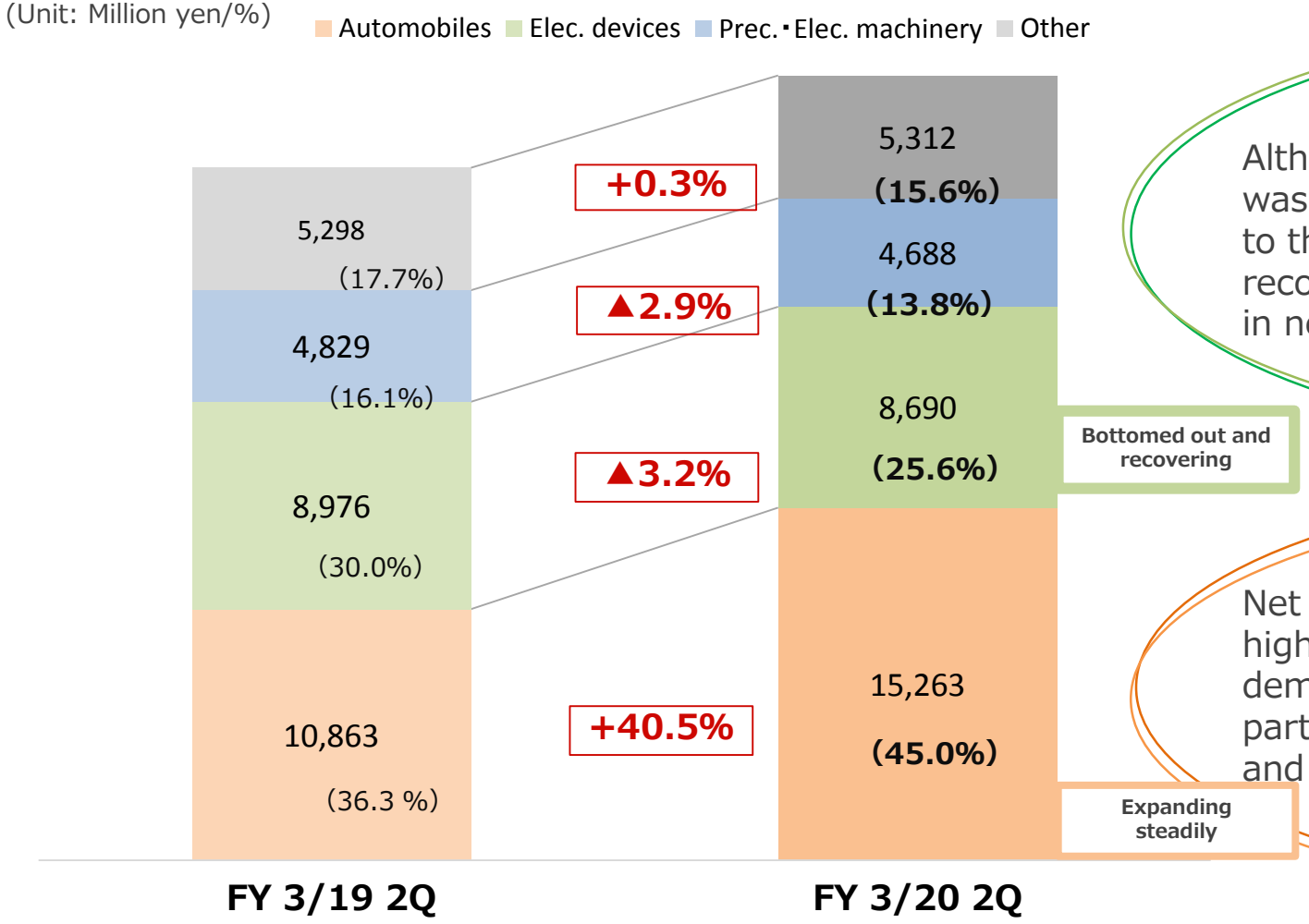
2Q Net Sales by Industry (NISSO, Non-consolidated)

Trend of Net Sales Composition Ratios

(Unit: Million yen/%)



Electronic devices

Although the electronic components-related industry was on a recovery trend in the second half of 2Q, due to the impact of the market environment, full-scale recovery is expected to be delayed until 2H; increase in net sales was not attained

Automobiles

Net sales in the automobiles industry, where there is a high composition ratio, expanded due to increased demand for human resources at existing business partners, growth of "next" (future) Account Companies and unit-cost negotiations

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

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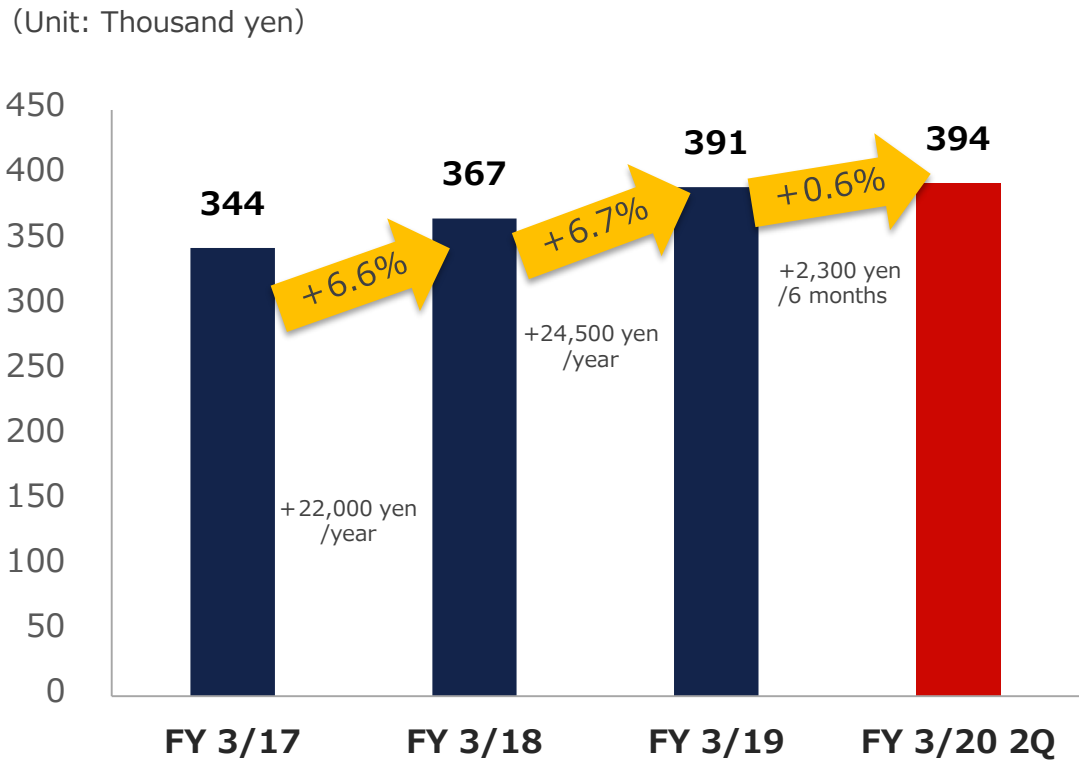
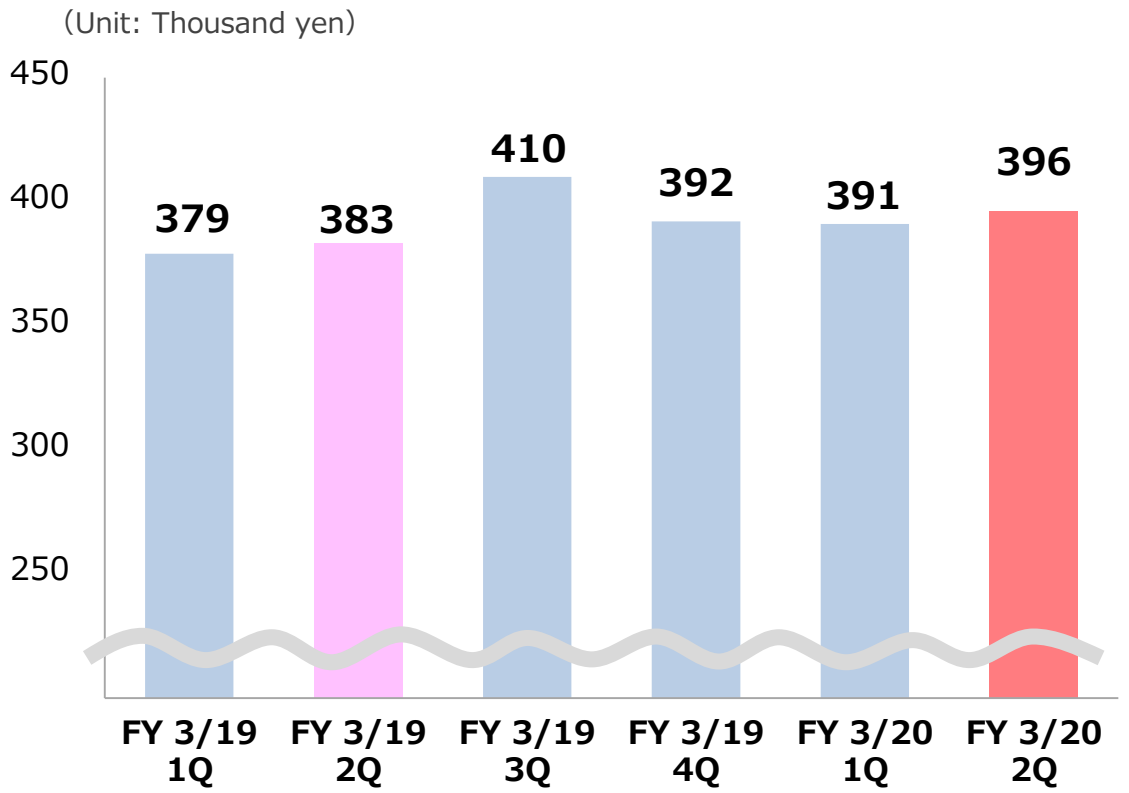
Trend of Net Sales per Capita (NISSO, Non-consolidated)

- FY 3/20 2Q (YTD) net sales per capita: 394 thousand yen
- Promoted assignment centering on high unit-cost automobiles Account Companies, resulting in increase in net sales per capita

Net Sales per Capita (monthly average conversion)



Net Sales per Capita (quarterly)



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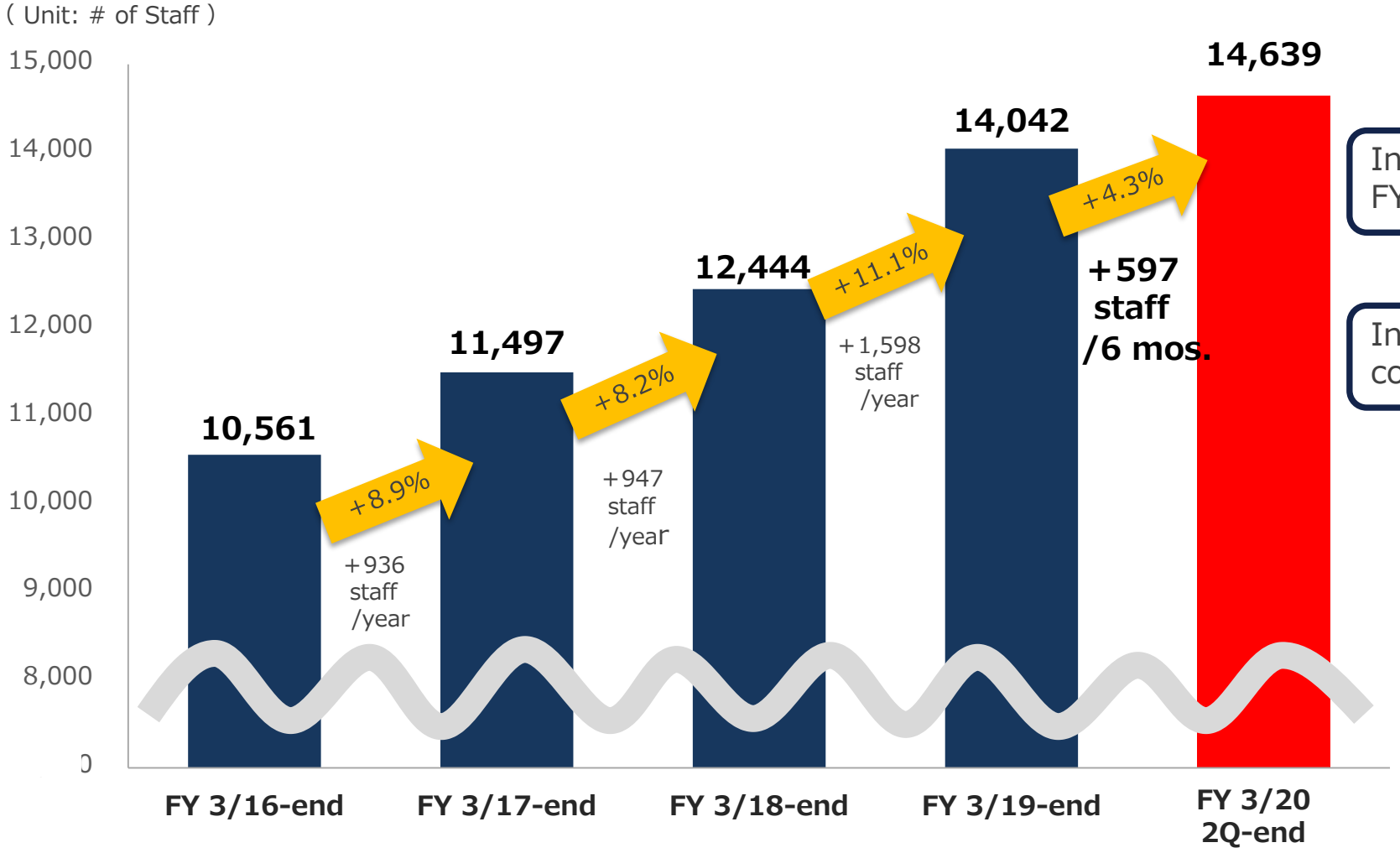
Trend of Enrolled Staff (NISSO, Non-consolidated)

Trend of Number of Enrolled at FY-end



Increase of 597 staff from previous FY-end (4.3%)

Increases in mainly automobiles-related companies

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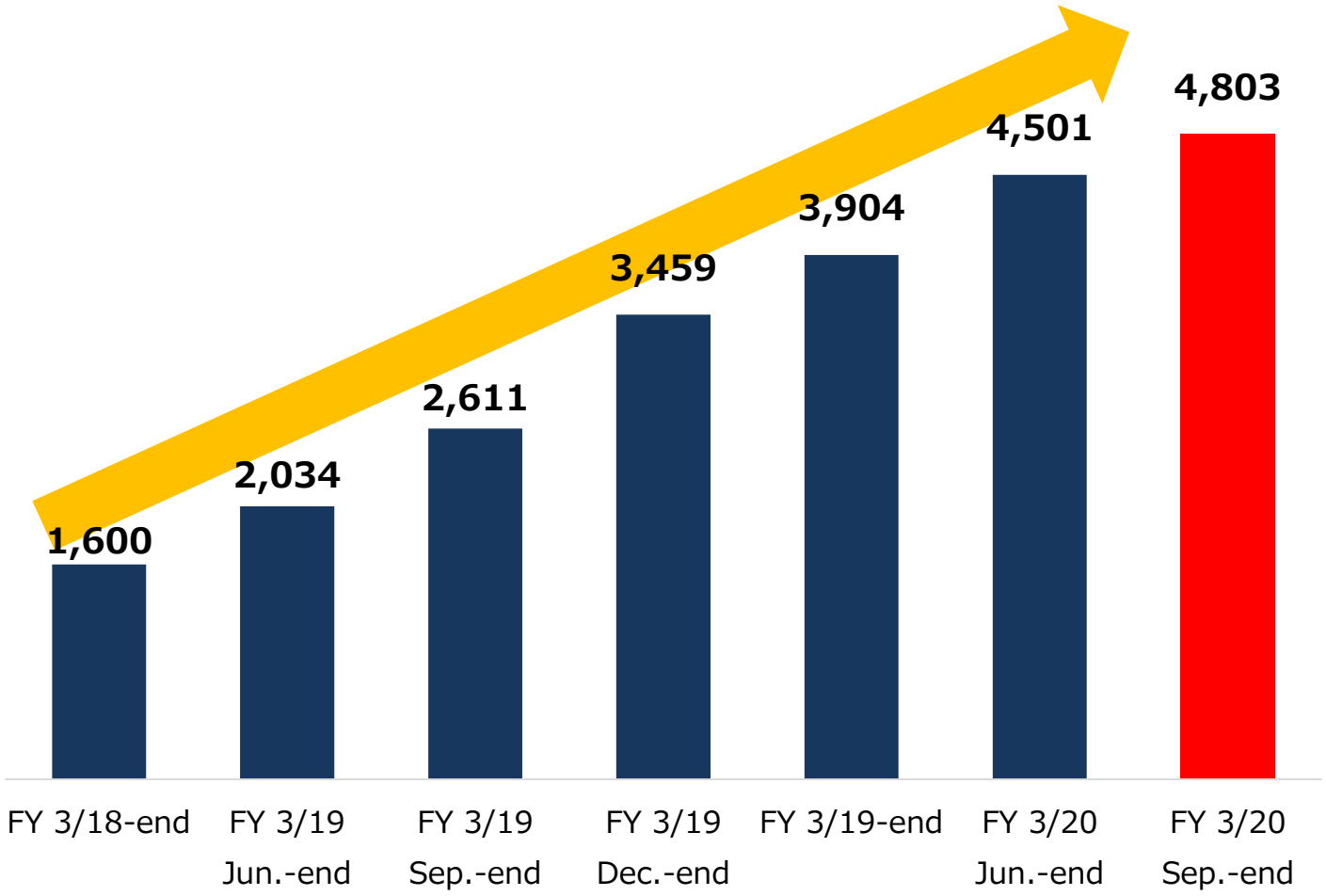
Number of Skilled Staff（NISSO, Non-consolidated）

Trend in Number of Skilled Staff

(Unit: # of Staff)



Number of skilled staff is increasing as planned

NISSO will continue to develop skilled staff and promote their assignment in accordance to demands from high unit-cost Account Companies



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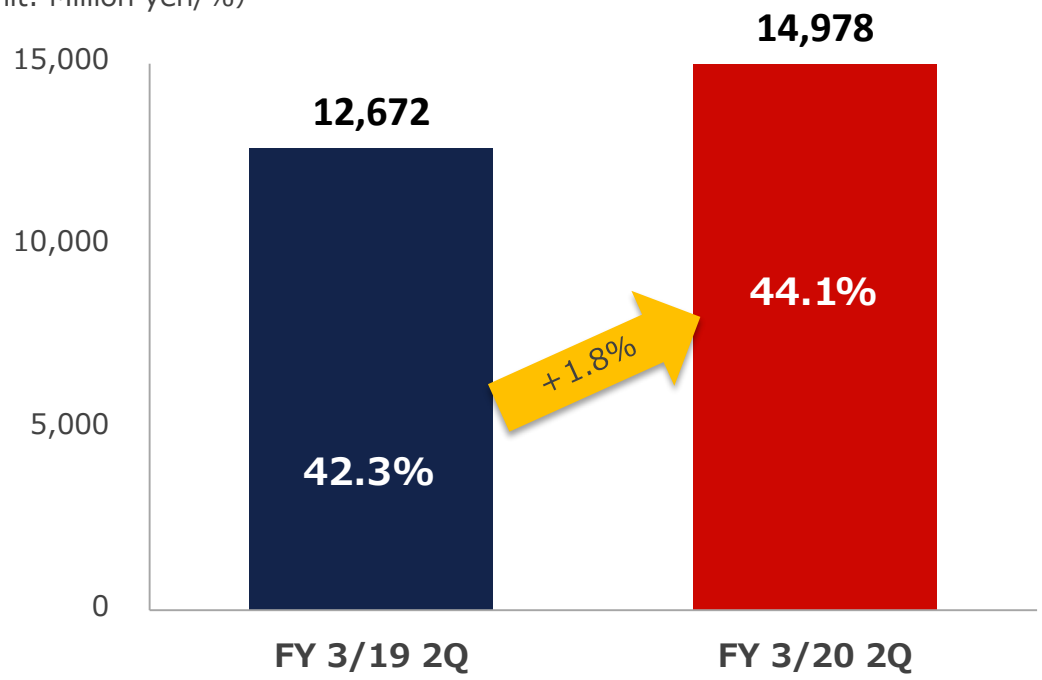
Account Companies (NISSO, Non-consolidated)

Account Company Groups Net Sales and % of Total

(Unit: Million yen/%)



	FY 3/19 2Q	FY 3/20 2Q	Increase
Accounts total (4 Groups)	12,672	14,978	2,305
Total net sales	29,968	33,955	3,986
% of Total	42.3 %	44.1%	1.8 pts

Account Companies net sales share ratio in 2Q was 44.1%

The automobiles Account Company Group grew significantly, and net sales increased due to the active assignment of skilled staff

The electrical machinery Account Company Group increased net sales due to favorable production of semiconductor-related products and assignment of personnel who completed training

The electronics components Account Company Group did not attain an increase in net sales due to the delay in full-scale recovery from 2H onwards

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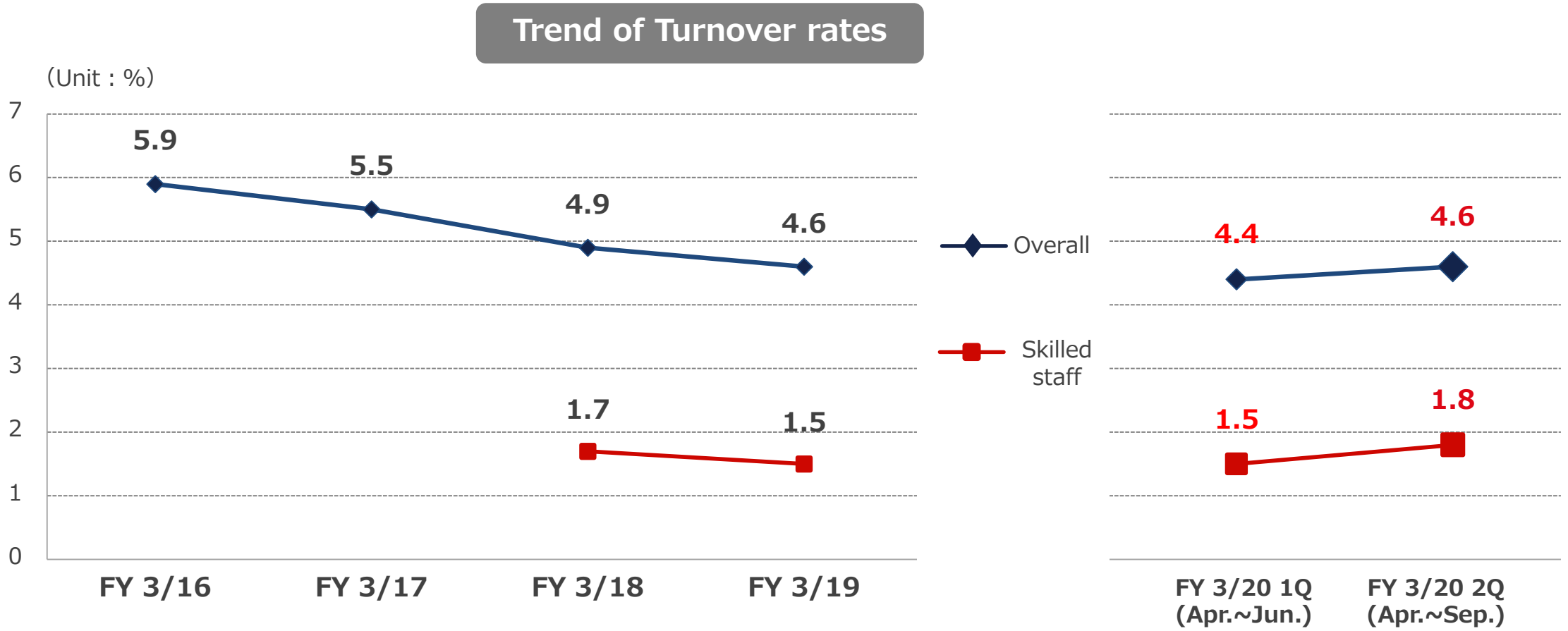
Turnover Rates (NISSO, Non-consolidated)

- FY 3/2020 2Q　Overall turnover rate: 4.6%　(±0 pts vs. FY 3/2019)
  Skilled staff turnover rate: 1.8%　(+0.3 pts vs. FY 3/2019)
- Turnover rates increased due to reduction of business with some business partners



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Educational Achievements（NISSO, Non-consolidated）

2Q Course-specific educational achievements (total # of participants)

(Unit: # of Participants)

Training course name	1Q (Apr - Jun)	2Q (Jul - Sep)		FY 3/20 YTD	(Reference) FY 3/19 Total
Skilled staff education	393	483	Standard skilled staff education	876	2,522
Accredited vocational training education	72	57	Accredited vocational training school (Miyagi・Nagano Prefectures)	129	318
Manufacturing education	312	717	*MONOZUKURI* (manufacturing) {basic, advanced, expert} education, pre-assignment training for manufacturing staff, mobile education	1,029	3,047
Safety education	162	1,182	Danger・risk simulation education	1,344	1,322
Basic maintenance education	39	65	Basic equipment maintenance education	104	167
Employee education	184	115	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education	299	292
Other education	28		Entrusted education from external sources	28	22
Total	1,190	2,619		3,809	7,690

Skilled staff education participants increased as planned

Basic maintenance education participants increased significantly. Course graduates assigned to semiconductor manufacturing companies where demand is increasing



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Other Businesses Business Revenue

Results of Other Businesses

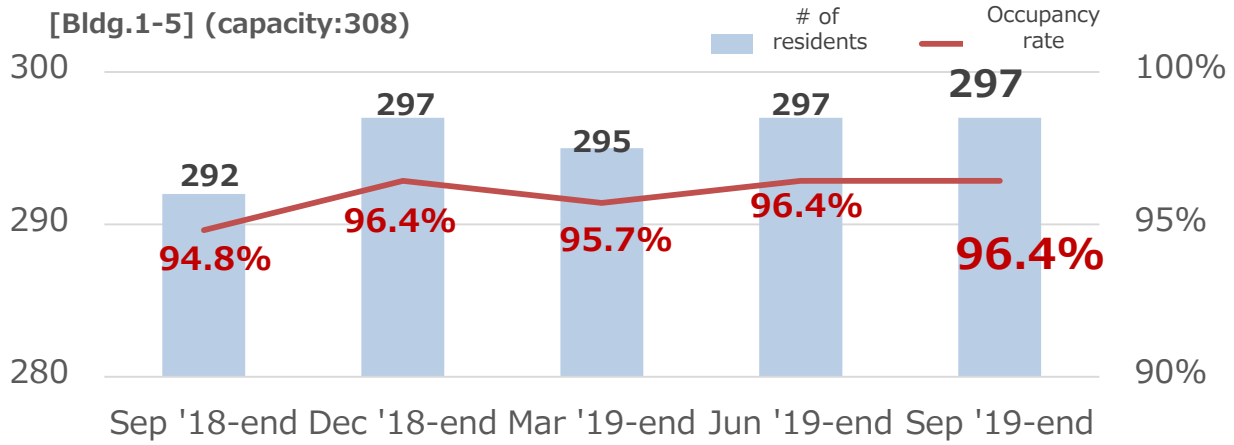
(Unit: Million yen/%)

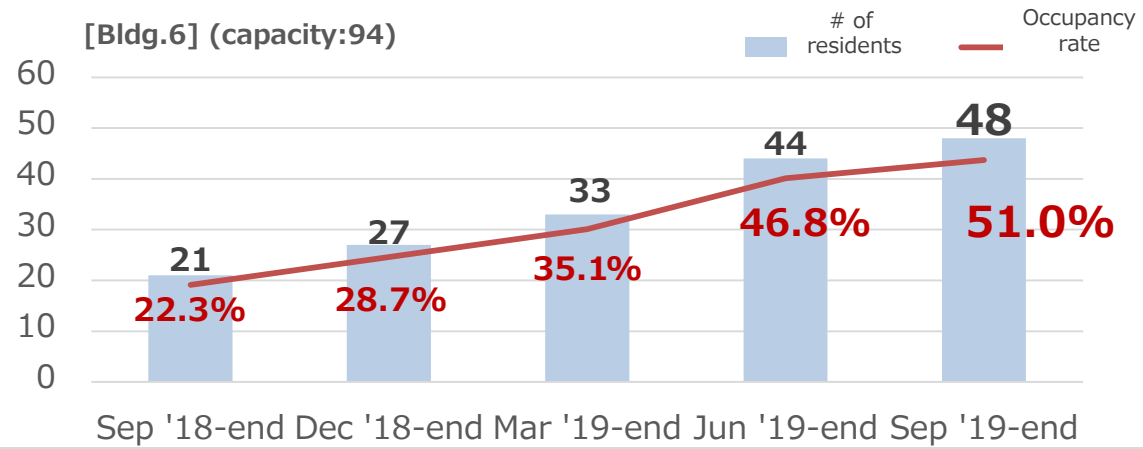
	FY 3/19 2Q		FY 3/20 2Q		Year-on-Year		FY 3/19
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change	Full year
Net sales	1,208	100.0%	**1,369**	**100.0%**	161	13.4%	2,485
Expenses	1,351	111.8%	**1,367**	**99.8%**	16	1.2%	2,732
Operating profit (loss)	(143)	(11.8%)	**2**	**0.2%**	145		(247)



- Net sales increased due to increase in number of residents in Bldg. 6
- Other facilities (Bldg. 1 - 5) maintained high occupancy rates
- Aiming to achieve full year profitability through continued increase in Sweetpea Higashi Totsuka residents and promotion of efforts to control expenses

Trend in # of facility residents





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2Q Financial Results Summary

Consolidated Financial Results
Net Sales 36,797 Million yen
(+12.2% year-on-year)
Operating Profit 1,128 Million yen
(+23.2% year-on-year)

- Net sales YOY increase: 12.2% Annual progress rate: 46.0%
- Operating profit YOY increase: 23.2% Annual progress rate: 28.9%

Net Sales by Industry
Automobiles …+40.5%
Electronic devices …(3.2%)

- Automobiles industry is on increasing trend due to new orders, mainly from Account Company Group
- Electronic devices industry was affected by market after temporary recovery, partial reduction in net sales

Quarter-end Number of Enrolled Staff
14,639 staff (+597 from FY 3/19-end)
…+1,102 staff in FY 3/19 2Q

- Although there was a decrease of enrolled staff in electronic components-related companies, overall enrollment increased due to high level demand from automobiles-related companies
- Net increase of enrolled staff in 2Q decreased YOY

Net Sales per Capita/Monthly
394 Thousand yen
(+3 Thousand yen from FY 3/19-end)
…+14 Thousand yen in FY 3/19 2Q

- Promoted assignment of skilled staff to high unit-cost production sites
- Unit-cost negotiations progressed as planned

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1-2　Future Prospects

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Future Market Trends

Demand Environment	**Overall**	**…The most recent effective opening-to-application ratio of jobs has declined significantly, as represented by a decline in "production process occupations". As in previous years, NISSO expects to increase personnel towards FY-end**
	Automobiles	**…With the introduction of new car models and increased production of high-end models, domestic and overseas orders are expected to increase**
	Electronic devices	**…Due to the delay in the recovery period of orders at manufacturers, after the decline in 1H, demand for 5G-related parts is expected to increase from FY-end onwards**
Recruiting Environment	**While the decline in the number of new job openings in the manufacturing industry is noticeable, the degree of accuracy for matching with regards to NISSO's job openings is becoming increasingly important The number of personnel orders is expected to increase due to orders from the automobiles industry**	
Client Environment	**Demand for external human resources from client companies is expected to occur continuously in response to work-style reforms**	

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

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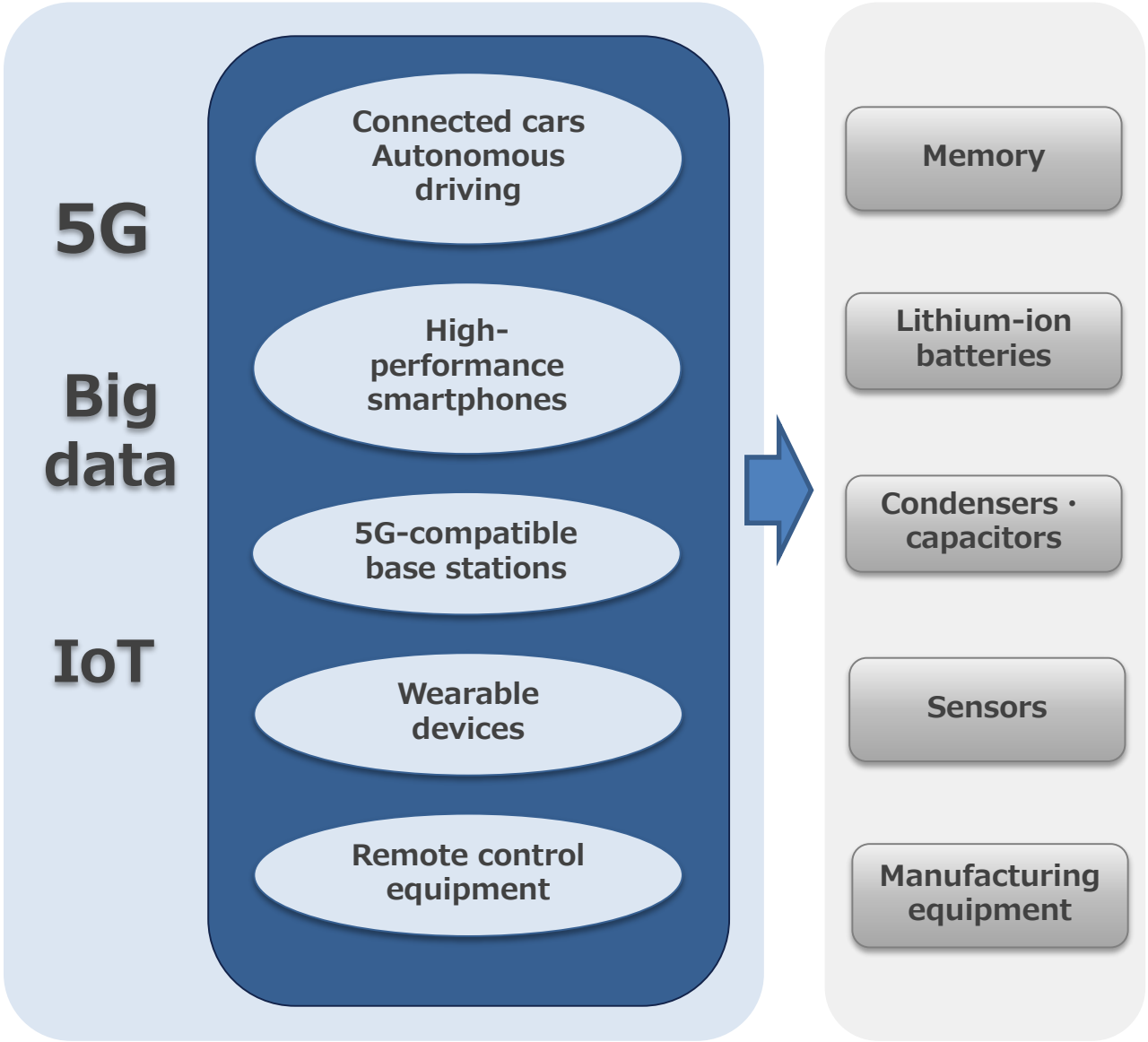
NISSO's Response to the Spread of 5G



※**NISSO's client companies**
New factory launches（2020～）
- Semiconductor manufacturers
- Semiconductor manufacturing equipment manufacturers
- Condenser・capacitor manufacturers

※Each company is making significant investments

NISSO's Response (Market Strategies)

※**Account Companies**
(automobiles, electrical machinery, electronic components, precision equipment)
Promote assignment of skilled staff to increase market share and business performance

※**Development of new clients**
Actively develop new growth sectors, establish firm position

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Creation of diverse employment opportunities

Notice of Collaboration with Nikon Corporation in the Human Resources Dispatching Business
(announced September 13, 2019)

Through the collaboration as a **joint venture company**, NISSO and Nikon will join forces to promote the human resources dispatching business, paid employment placement business, work contracting business, career development, and the business related to human development education, etc.

【Overview of Joint Venture Company】

(1)	Name	Nikon Nisso Prime Corporation
(2)	Location	Shin-Yokohama 214 Bldg. 8F, 2-14-2 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
(3)	Representative	Masahiko Yoshida
(4)	Description of Business	General Human Resources Services Business
(5)	Capital	50 Million JPY
(6)	Date of Establishment	November 7, 2003
(7)	Fiscal Year-end	March 31
(8)	Net Assets	388,942 Thousand JPY（As of the end of March 2019）
(9)	Total Assets	983,348 Thousand JPY（As of the end of March 2019）
(10)	Shareholding Ratio	Nikon Corporation: 51%, NISSO CORPORATION 49%

Joint Venture Business Start Date: January 6, 2020 (Scheduled)

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Topics

New Graduate Chinese Engineers

Company entrance of 18 new graduate Chinese engineers

September After Japan arrival ～ Welcoming Ceremony, implemented new-hire education at NISSO'S training facilities

October Employed at NISSO's client companies

Initiatives for ESG Management

～Nisso Group promotes the realization of workplaces where diverse human resources can flourish and pursue fulfillment in their work～

Creation of an environment that makes it easier for people with disabilities to work (Nisso Pure)

Participation in "Abilympics (competition where people with disabilities compete for skills developed in their daily workplaces)"

17th Annual Kanagawa Skills Competition for Persons with Disabilities ～Abilympics Kanagawa 2019～







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2. Earnings Forecast for FY 3/2020

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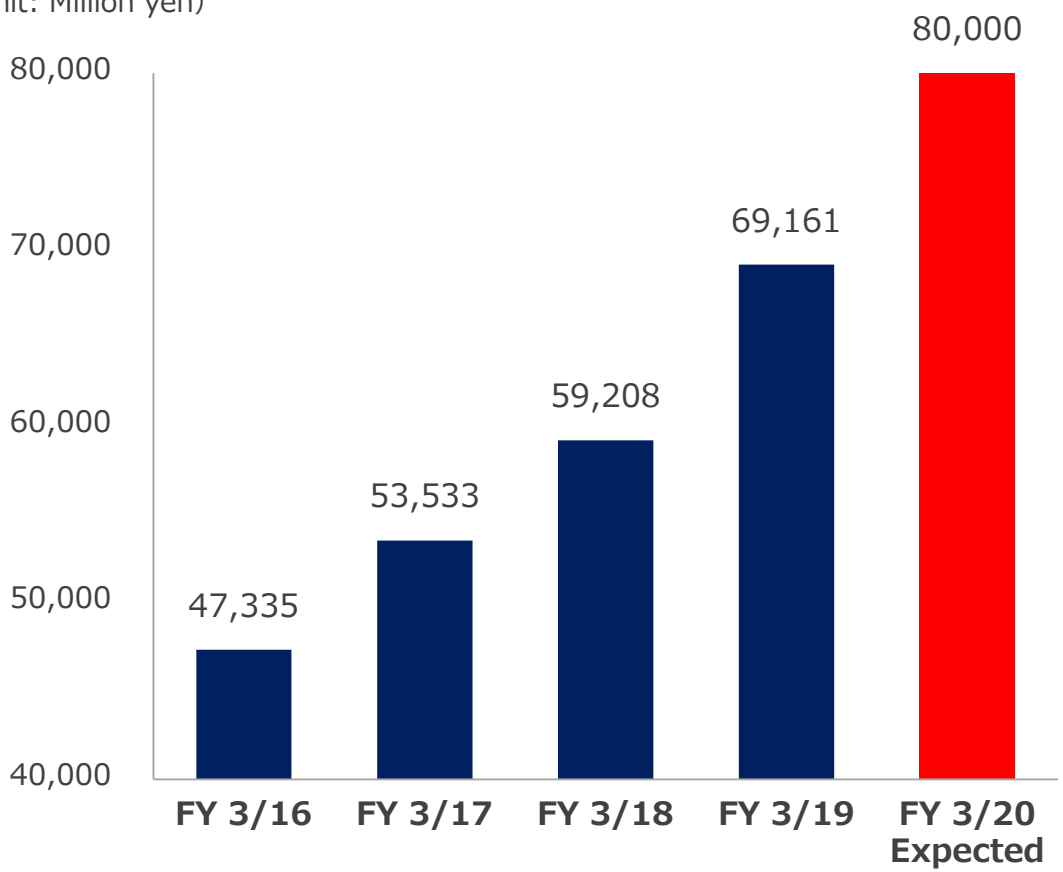
Outlook for Consolidated Earnings Trends

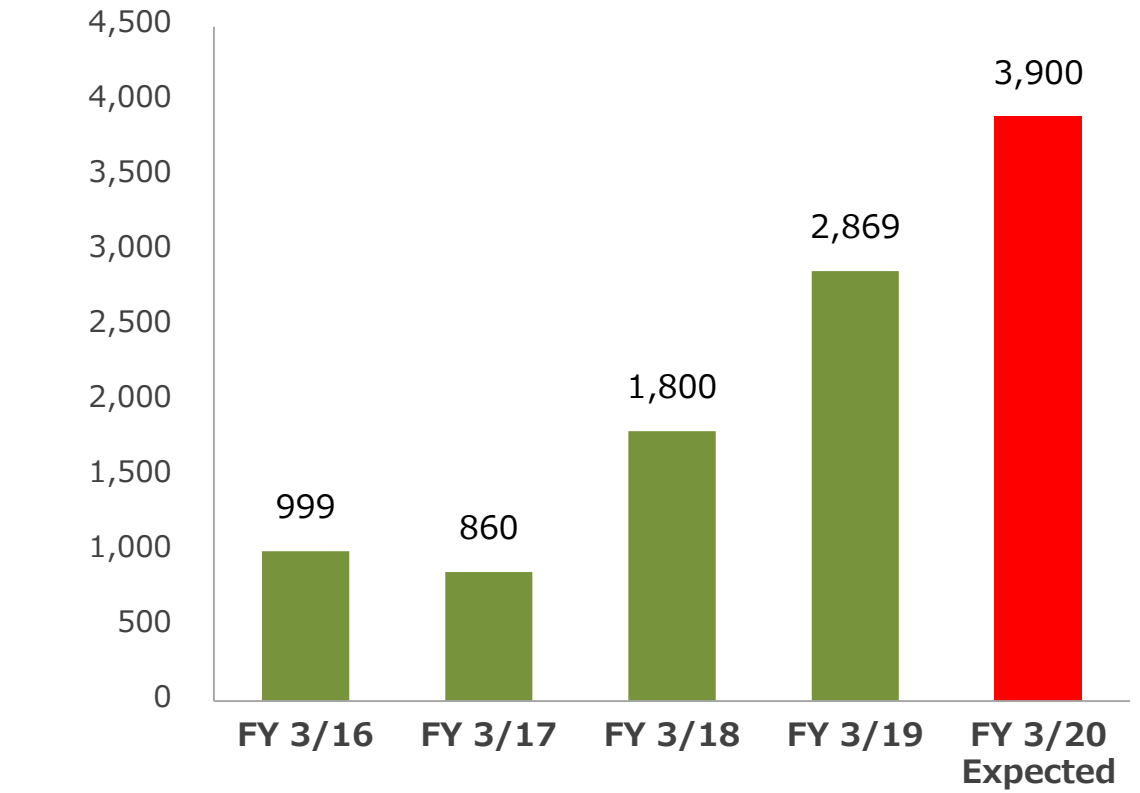
Net sales

(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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4. Supplementary Materials

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Consolidated Balance Sheet

(Unit: Million yen,%)

	Mar. 2019-end		Sep. 2019-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	**14,174**	**67.4**	**13,262**	**66.3**	**(911)**
Cash and deposits	5,633	26.8	4,510	22.5	(1,122)
Notes and accounts receivable - trade	7,757	36.9	7,962	39.8	205
Non-current assets	**6,844**	**32.6**	**6,748**	**33.7**	**(96)**
Property, plant and equipment	4,942	23.5	4,903	24.5	(39)
Intangible assets	359	1.7	400	2.0	40
Investments and other assets	1,542	7.3	1,444	7.2	(97)
Total assets	**21,019**	**100**	**20.011**	**100**	**(1,008)**
Current liabilities	**9,161**	**43.6**	**8,028**	**40.1**	**(1,133)**
Accrued expenses	4,751	22.6	4,592	23.0	(158)
Income taxes payable	742	3.5	517	2.6	(225)
Provision for bonuses	738	3.5	808	4.0	69
Non-current liabilities	**1,312**	**6.2**	**1,301**	**6.5**	**(10)**
Long-term loans payable	750	3.6	692	3.5	(58)
Total liabilities	**10,474**	**49.8**	**9,329**	**46.6**	**(1,144)**
Shareholders' equity	**10,535**	**50.1**	**10,714**	**53.5**	**179**
Total net assets	**10,544**	**50.2**	**10.681**	**53.4**	**136**
Total liabilities and net assets	**21,019**	**100**	**20,011**	**100**	**(1,008)**

Point

①Sale of shares

Non-current assets (investments and other assets) decreased due to the sale of cross-shareholdings

②Payment of taxes

Current liabilities decreased due to tax payments for social insurance, consumption tax, and (corporate) income taxes

③Overall

As a result of the above, cash and deposits decreased, as well as current assets and total assets

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Quarterly Consolidated Statements of Cash Flows

(Unit: Million yen)

	FY 3/19 2Q YTD	FY 3/20 2Q YTD	Increase (Decrease)
	Amount	Amount	
Cash flows from operating activities	351	(361)	(713)
Cash flows from investing activities	(93)	24	118
Cash flows from financing activities	(424)	(786)	(361)
Net increase (decrease) in cash and cash equivalents	(165)	(1,122)	(956)
Cash and cash equivalents at beginning of period	5,283	5,633	349
Cash and cash equivalents at end of period	5,117	4,510	(606)

Point

① Cash flows from operating activities

While revenue from profit before income taxes and allowances increased YOY, expenditures for tax payments for social insurance, consumption tax, and (corporate) income taxes increased YOY, resulting in expenditures of 361 million yen.

② Cash flows from investing activities

While the amount of expenditures for investments related to core systems, etc., increased YOY, the sale of cross-shareholdings generated revenue of 143 million yen, resulting in revenue which amounted to 24 million yen.

③ Cash flows from financing activities

In addition to not procuring funds through borrowings, as a result of a YOY increase in dividend payments, the amount of expenditures increased YOY, to 786 million yen.

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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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