First Nine Months of FY 3/2020

Financial Results Briefing Materials

Scheduled for February 10, 2020

TSE 1 Code: 6569

NISSO CORPORATION

日総工産株式会社

Key Points of Presentation

■ Results for the First Nine Months of FY 3/2020 (3Q)

- Electronic devices-related industries have not yet reached full-scale recovery
- There was an increase in revenue and a decrease in profits year-on-year

■ Full-year Prospects

- Judging that the business environment will continue to be severe, NISSO has made a downward revision of the full-year forecasts

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

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

- Net sales increased only slightly by 9.6% YOY due to factors such as delays in full-scale recovery of the electronic devices industry and sluggish operating conditions, despite the strong performance of the automobiles Account Company Group
- In terms of costs, operating profit decreased by 5.3% YOY due to increases in workplace operating costs and training expenses, etc., for future growth

(Unit: Million yen)

	FY 3/19 3Q		FY 3/20 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	46,931	100.0%	51,433	100.0%	4,501	9.6%
Gross profit	8,514	18.1%	9,040	17.6%	525	6.2%
SG&A expenses	6,492	13.8%	7,125	13.9%	632	9.7%
Operating profit	2,021	4.3%	1,915	3.7%	(106)	(5.3%)
Ordinary profit	2,011	4.3%	1,917	3.7%	(94)	(4.7%)
Profit	1,320	2.8%	1,304	2.5%	(16)	(1.2%)

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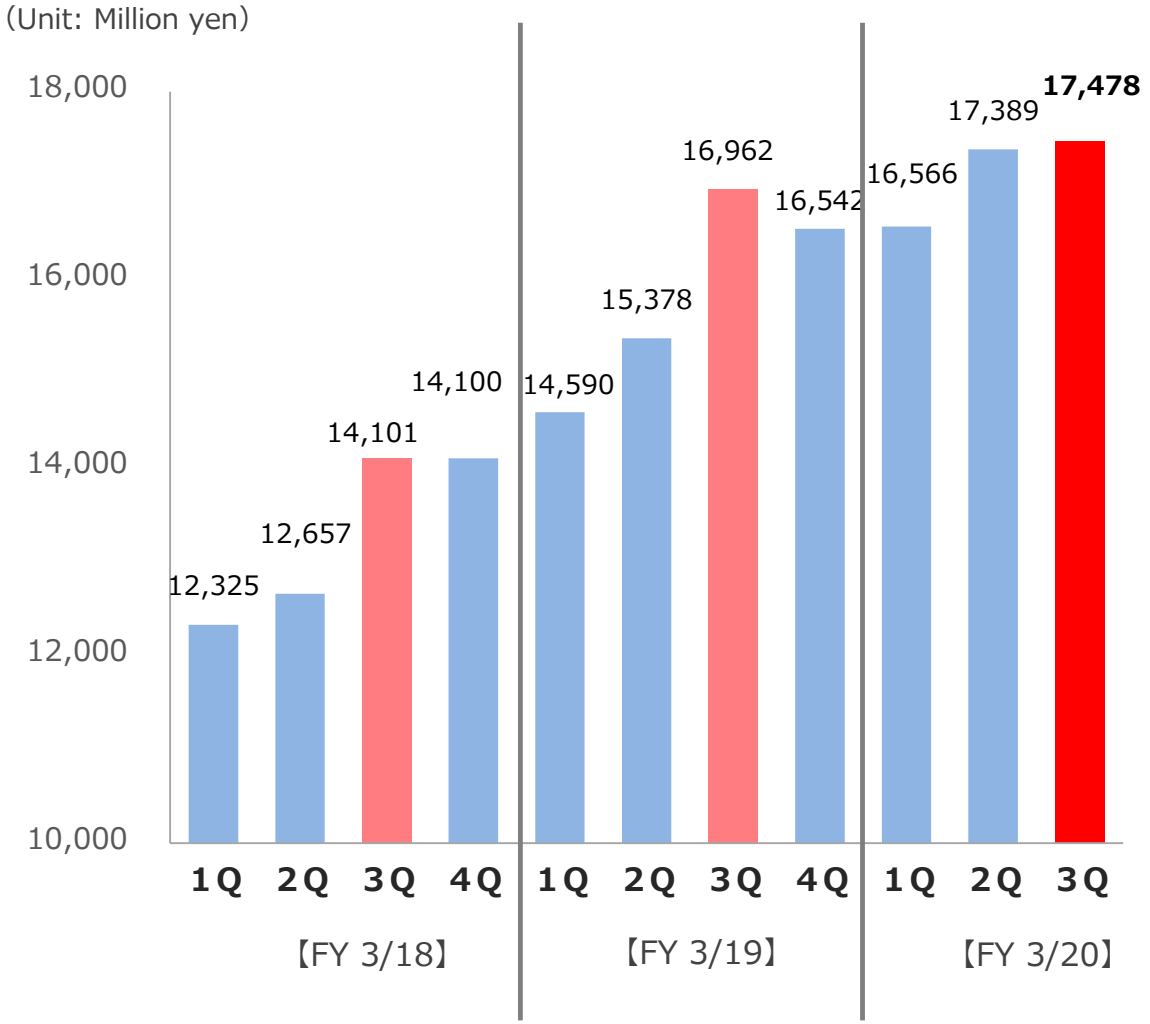
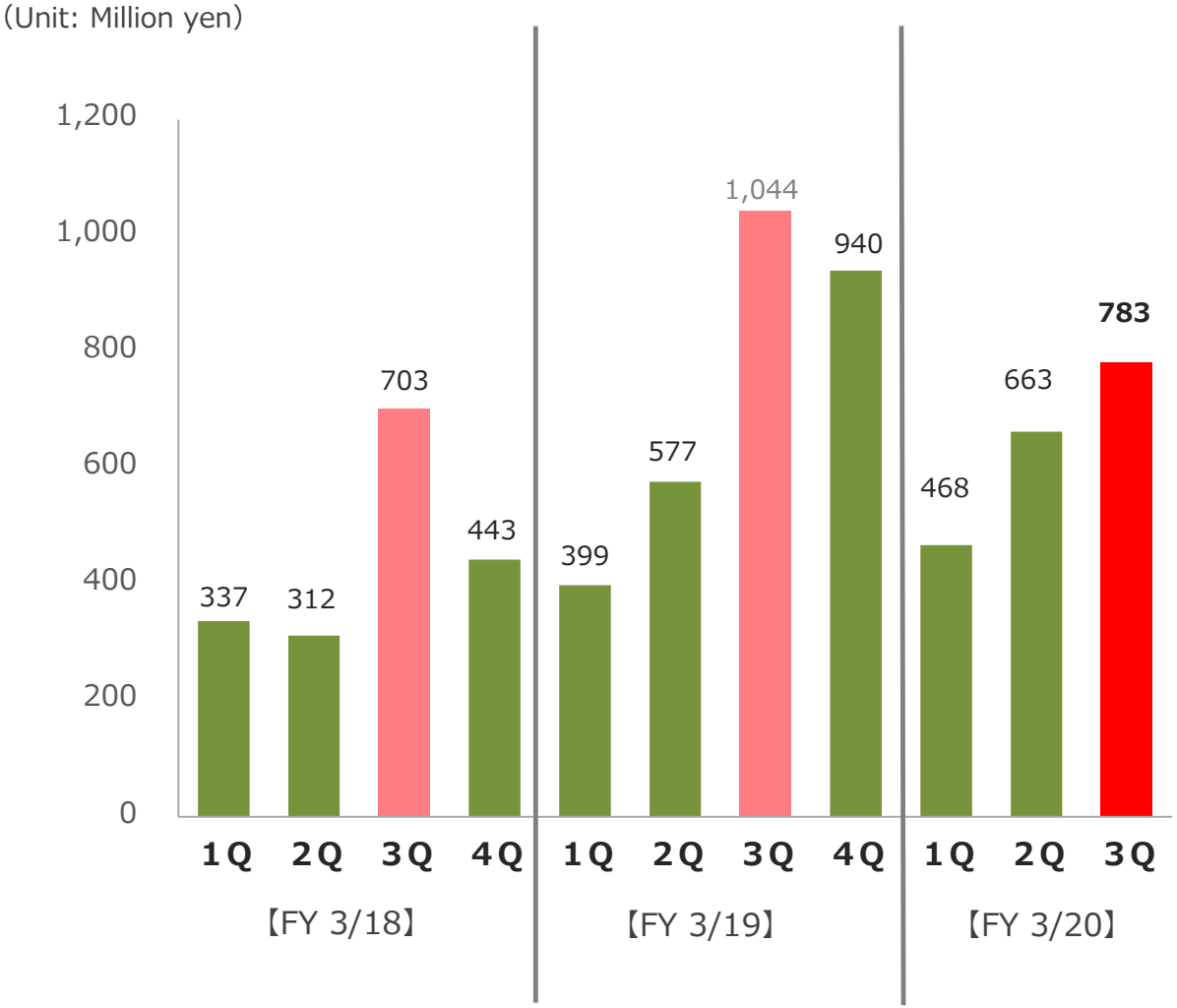
FY 3/2020 Quarterly Non-consolidated Financial Results Trends

Net sales



Operating profit



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FY 3/2020 3Q Consolidated Financial Results Highlights

- General Human Resources Services Business: Continued development/expansion of skilled staff and Account Companies strategies
  Although net sales increased steadily in the automobiles-related industry, there was an increase in revenue and a decrease in profits due to an increase in expenses
- Other Businesses: Although there was an increase in net sales due to increases in the number of residents at Sweetpea Higashi Totsuka, investment to improve services were generated

(Unit: Million yen)

	FY 3/19 3Q		FY 3/20 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	51,219	100.0%	55,718	100.0%	4,499	8.8%
Gross profit	8,977	17.5%	9,515	17.1%	537	6.0%
SG&A expenses	7,022	13.7%	7,619	13.7%	596	8.5%
Operating profit	1,954	3.8%	1,896	3.4%	(58)	(3.0%)
Ordinary profit	1,971	3.8%	1,940	3.5%	(31)	(1.6%)
Profit attributable to owners of parent	1,286	2.5%	1,307	2.3%	20	1.6%

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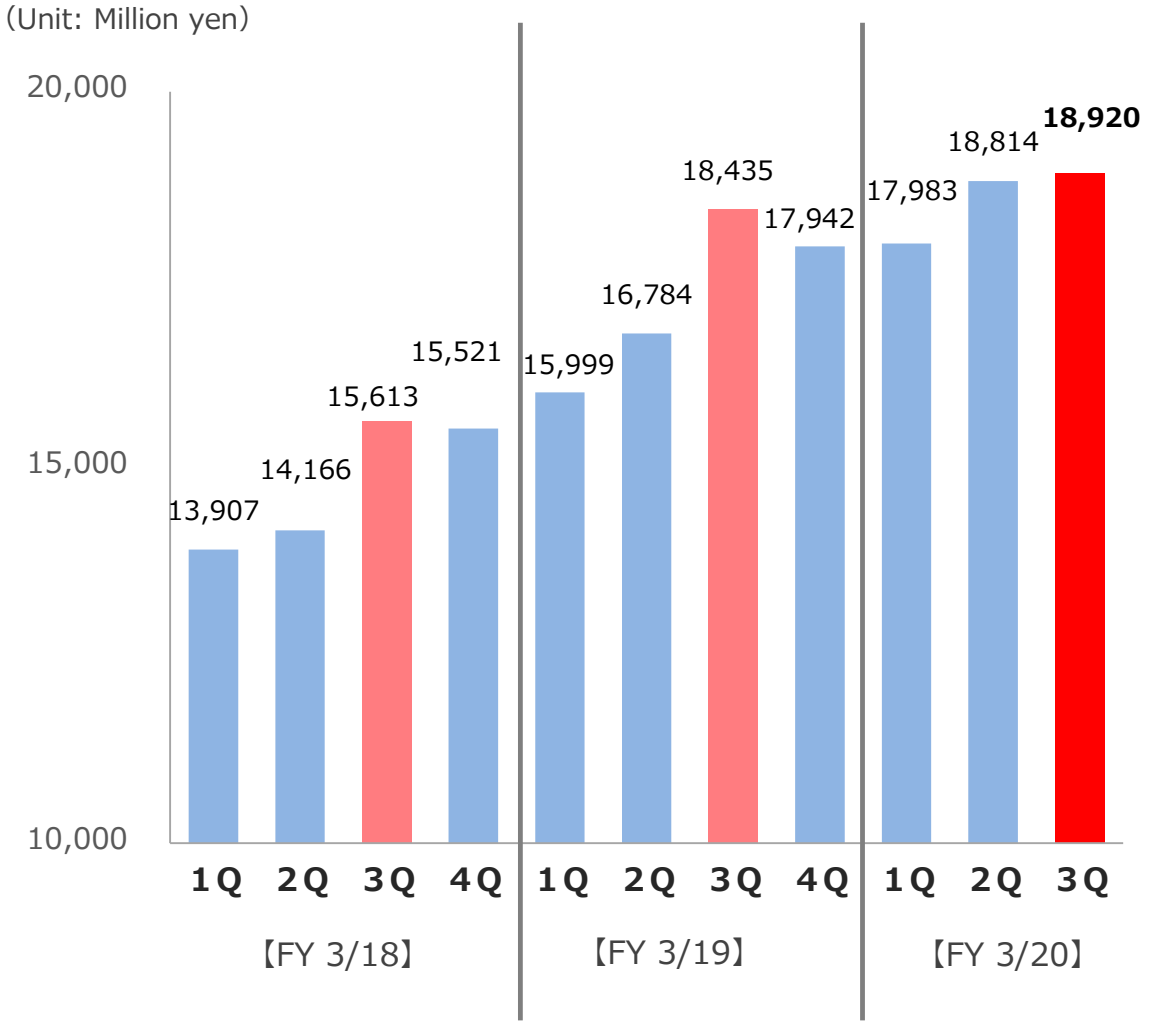
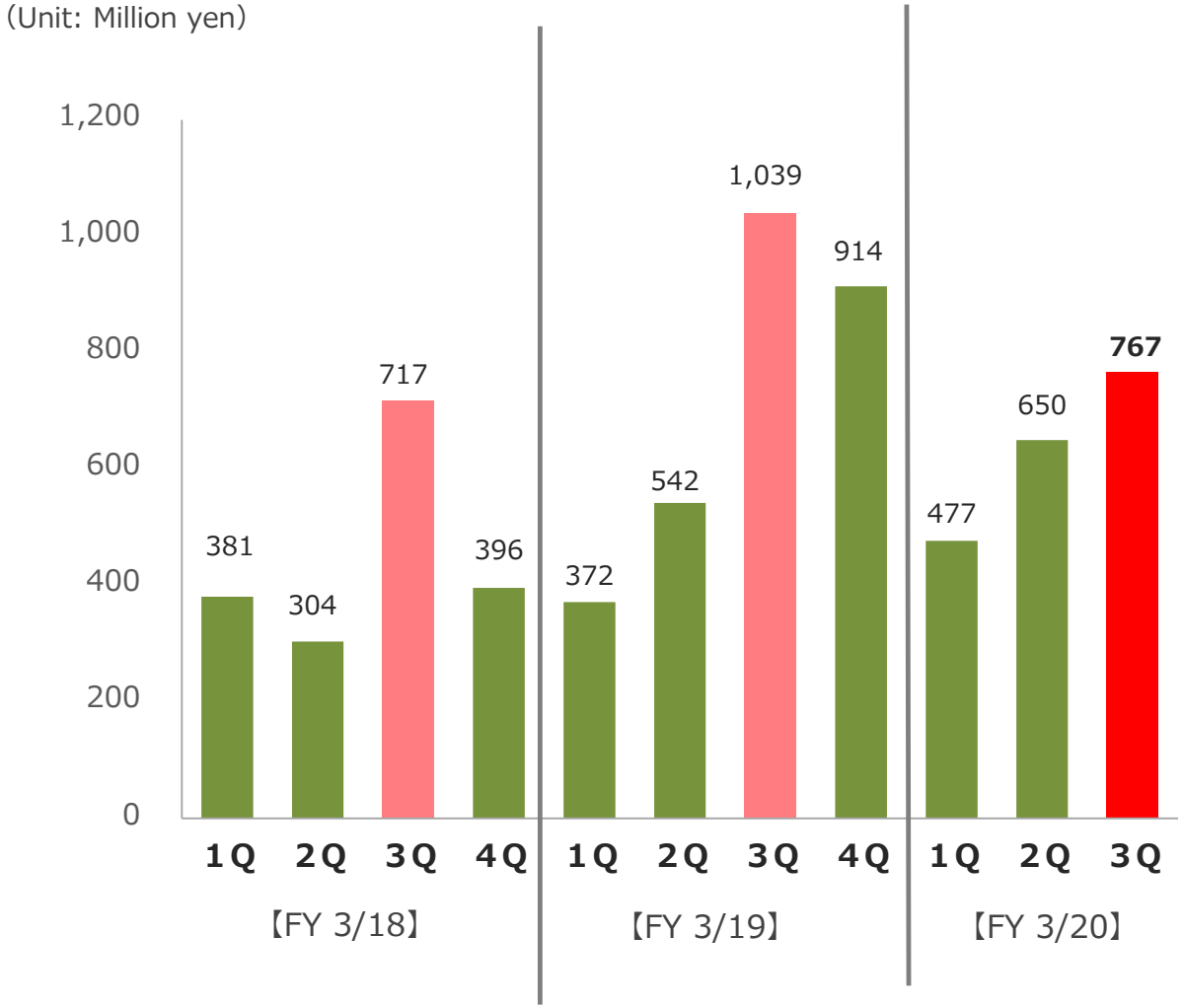
FY 3/2020 Quarterly Consolidated Financial Results Trends

Net sales



Operating profit



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1-1　Overview of Activities

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FY 3/2020 3Q Financial Results Summary

Consolidated Financial Results
Net Sales 55,718 Million yen
(+ 4,499 Million yen YoY)
Operating Profit 1,896 Million yen
(-58 Million yen YoY)

- Net sales YOY increase: 8.8%
- Operating profit YOY decrease: -3.0%

Net Sales by Industry (vs. YoY)
Automobiles …+ 31.2%
Electronic devices … (4.0 %)

- Automobiles industry is on an upward trend due to new demand, mainly for the Account Company Group
- Although there were increases in net sales in some companies in the electronic devices industry, it is on a downward trend overall due to impact of the market

Quarter-end Number of Enrolled Staff
14,638 staff (+596 from FY 3/19-end)
…+1,382 staff in FY 3/19 3Q

- Although the number of enrolled staff in electronic components related companies decreased, the overall number of enrolled staff remained nearly unchanged since the end of 2Q due to increased demand in automobiles-related companies (-1 staff)

Net Sales per Capita/Monthly
395 Thousand yen
(+3.5 Thousand yen from FY 3/19-end)
…+24 Thousand yen in FY 3/19 3Q

- Despite promoting the assignment of skilled staff to high unit-cost production sites, net sales per capita increased only slightly due to reduced hours of operation (overtime/holiday work)

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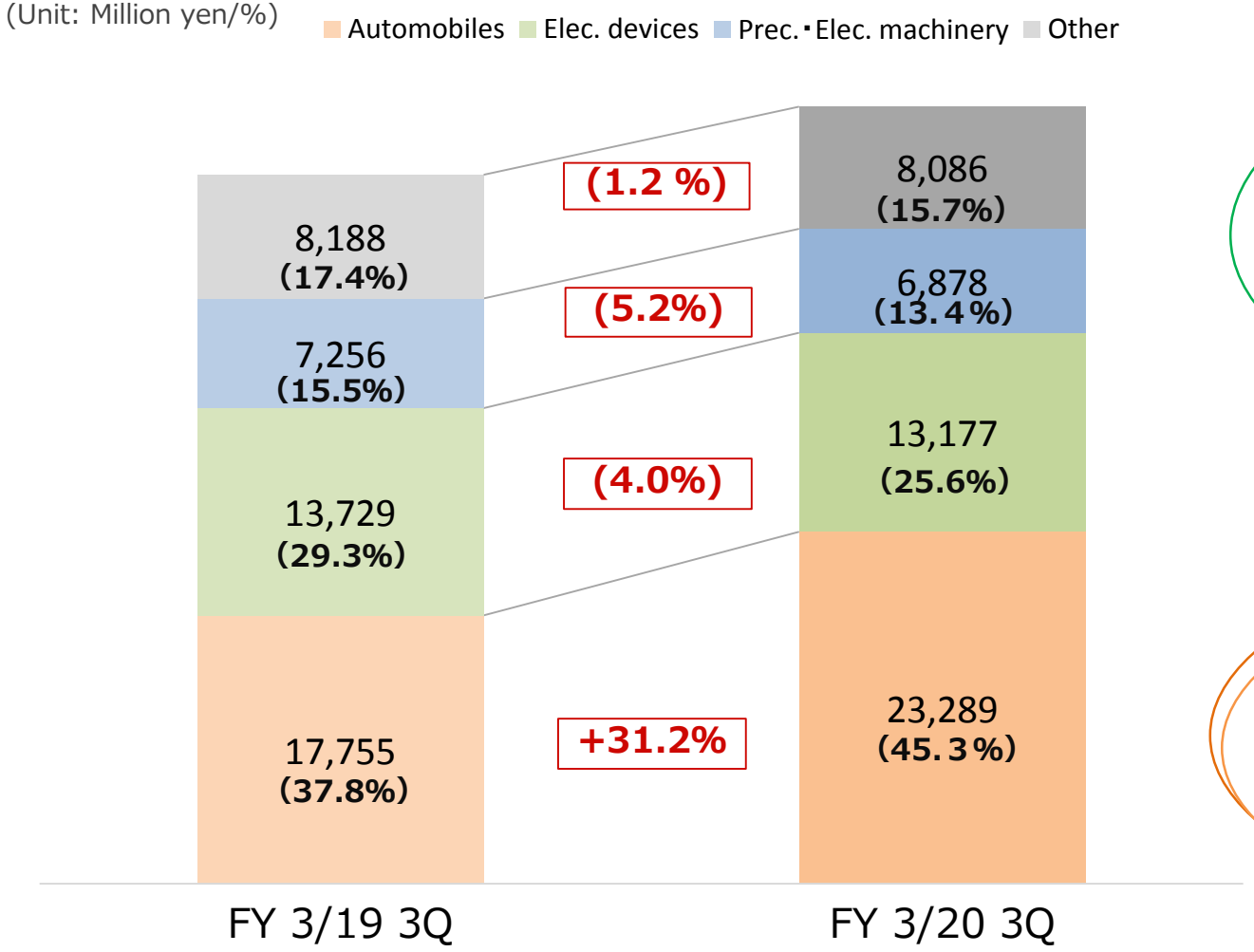
FY 3/2020 3Q Net Sales by Industry (NISSO, Non-consolidated)

Trend of Net Sales Composition Ratios

(Unit: Million yen/%)



Electronic devices

Although demand for some semiconductor companies increased, the increase in demand, including for 5G-related industries, which was expected in 2H, will be delayed until the next FY onward. Many electronic components-related companies have not yet seen a full-scale recovery, resulting in a decrease in net sales

Automobiles

Net sales increased due to the introduction of new car models in the Account Company Group and increased demand from auto parts companies

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

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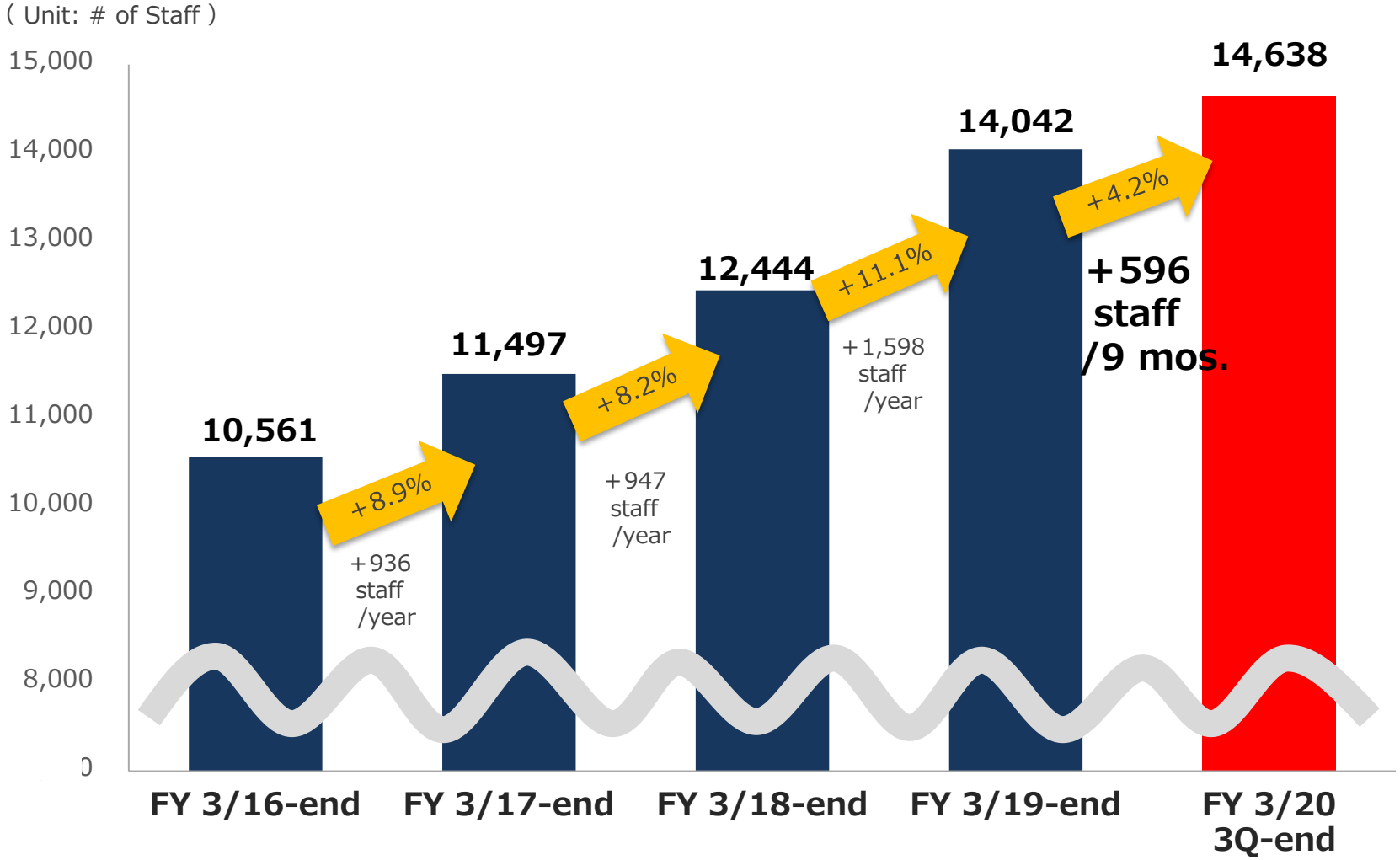
Trend of Enrolled Staff (NISSO, Non-consolidated)

Trend of Number of Enrolled at FY-end



Increase of 596 staff from previous FY-end (4.2%)
Decrease of 1 staff from FY 3/2020 2Q

Increase in automobiles-related companies
Although enrollment in some semiconductor companies within the electronic components and precision・electrical machinery-related companies increased, overall, the number of enrolled staff remained nearly unchanged from FY 3/2020 2Q-end due to downward trends in production of electronic components

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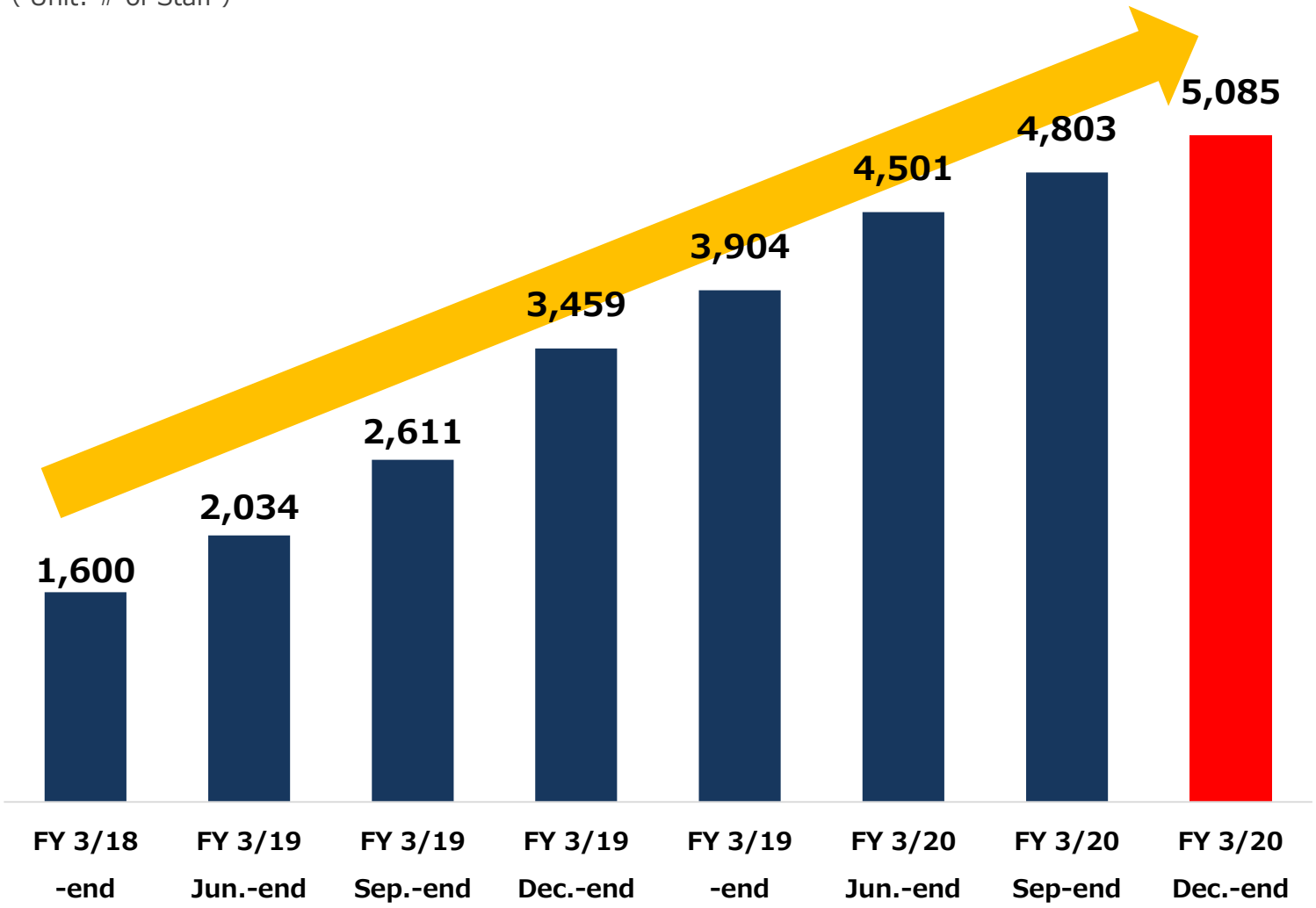
Number of Skilled Staff（NISSO, Non-consolidated）

Trend in Number of Skilled Staff

(Unit: # of Staff)



Number of skilled staff is increasing as planned
However, due to sluggish operating conditions at assignment destinations, it did not lead to a significant increase in net sales

NISSO will continue to promote the strategic development and assignment of skilled staff for future growth

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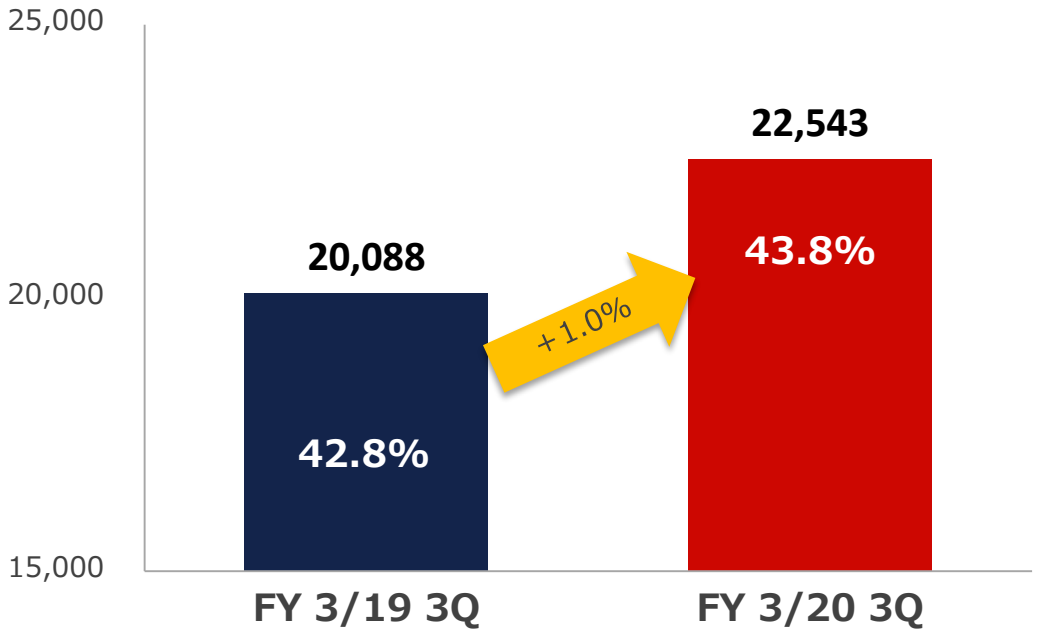
Account Companies (NISSO, Non-consolidated)

Account Company Groups Net Sales and % of Total

(Unit: Million yen/%)



	FY 3/19 3Q	FY 3/20 3Q	Increase
Accounts total (4 Groups)	20,088	22,543	2,454
Total net sales	46,931	51,433	4,501
% of Total	42.8%	43.8%	1.0 pts

Account Companies net sales share ratio in FY 3/2020 3Q was 43.8%
(FY 3/2020 2Q: 44.1%)

Automobiles Account Company Group･･･Significant growth due to the introduction of new car models, etc., and net sales increased due to the active assignment of skilled staff

Electrical machinery Account Company Group･･･ Semiconductor-related production continues to be strong, and net sales increased due to assignment of personnel who completed training

Electronic components Account Company Group･･･Although there were increases in some areas, the market as a whole did not recover, resulting in decreased net sales

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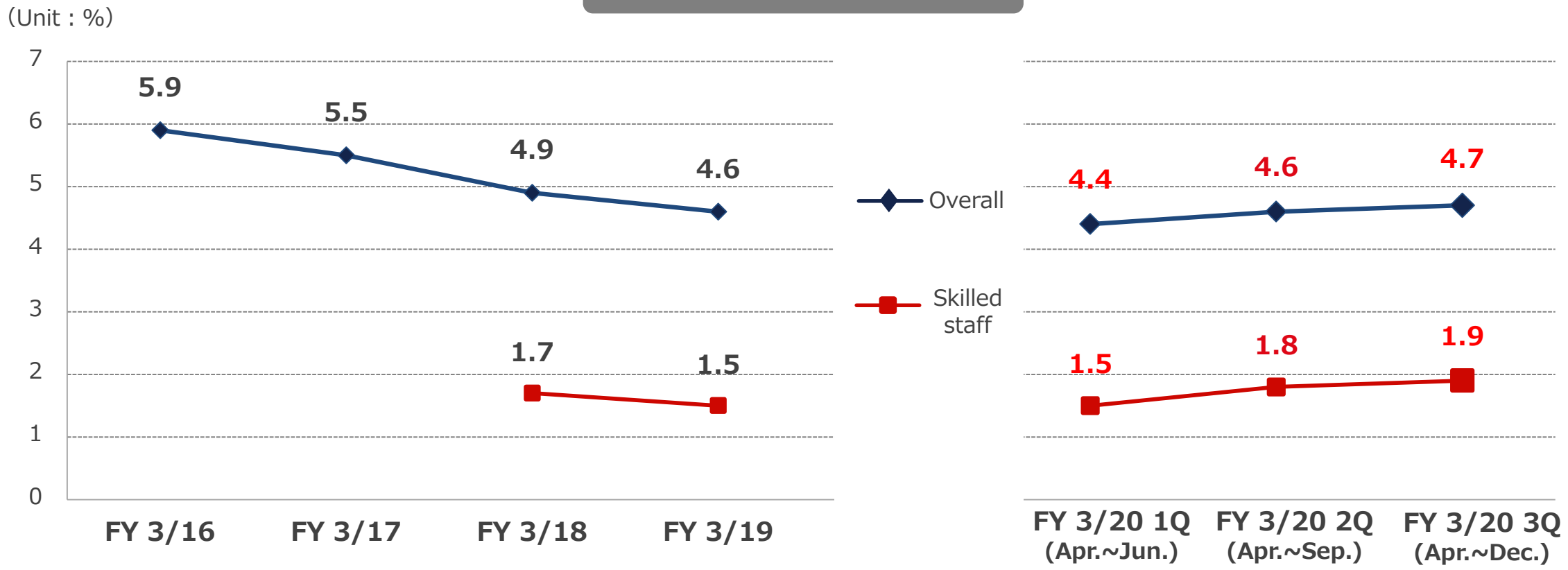
Turnover Rates (NISSO, Non-consolidated)

- FY 3/2020 3Q　Overall turnover rate: 4.7%　(+0.1 pts vs. FY 3/2019)
  Skilled staff turnover rate: 1.9%　(+0.4 pts vs. FY 3/2019)
- Scale-downs of workplaces increased due to decreases in production, and although transfers to other workplaces were promoted, turnover rates increased

Trend of Turnover rates



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Educational Achievements（NISSO, Non-consolidated）

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

(Unit: # of Participants)

Training course name	2Q (Jul - Sep)	3Q (Oct - Dec)		FY 3/20 YTD	(Reference) FY 3/19 Total
Skilled staff education	483	589	Standard skilled staff education	1,465	2,522
Accredited vocational training education	57	38	Accredited vocational training school (Miyagi・Nagano Prefectures)	167	318
Manufacturing education	717	1,526	*MONOZUKURI* education, pre-assignment training for manufacturing staff, mobile education	2,555	3,047
Safety education	1,182	1,258	Danger・risk simulation education	2,602	1,322
Basic maintenance education	65	82	Basic equipment maintenance education	186	167
Employee education	115	112	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education	411	292
Other education			Entrusted education from external sources	28	22
Total	2,619	3,605		7,414	7,690

Skilled staff education participants increased
Course graduates were mainly assigned to automobiles-related and semiconductor companies

Basic maintenance education participants were assigned to semiconductor manufacturing companies where demand is increasing
Client demand is expected to increase in the future

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Other Businesses Business Revenue

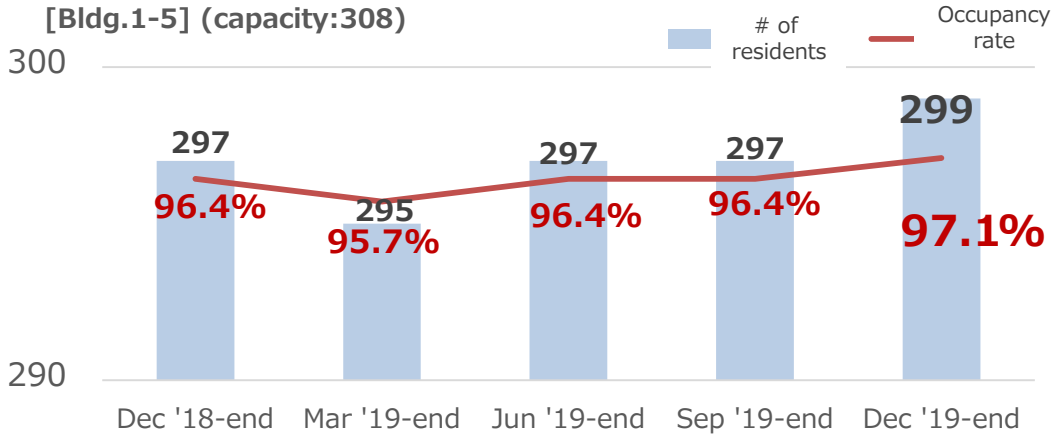
Results of Other Businesses

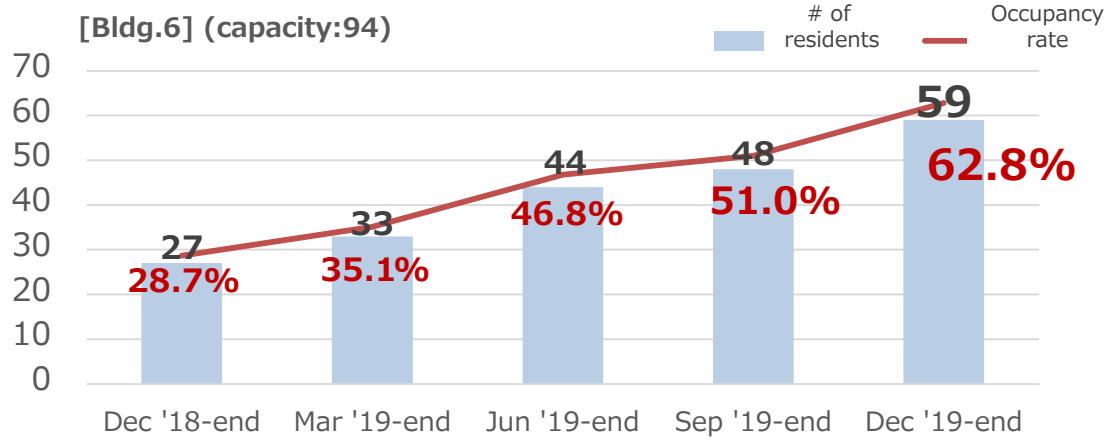
(Unit: Million yen/%)

	FY 3/19 3Q		FY 3/20 3Q		Year-on-Year		FY 3/19	FY 3/20
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change	Full year	Full-year Forecast
Net sales	1,851	100.0%	2,068	100.0%	217	11.7%	2,485	2,799
Expenses	2,044	110.4%	2,084	100.8%	40	2.0%	2,732	2,840
Operating loss	(192)	(10.4%)	(16)	(0.8%)	176	-	(247)	(41)

- Although net sales increased due to the increase in the number of residents in Bldg. 6, the expected number of residents has not been reached
- Other facilities (Bldg. 1 - 5) maintained high occupancy rates
- Full-year operating loss is expected to amount to -41 million yen due to shortfalls in the number of residents and increased costs related to the introduction of new nursing care workers aimed at stabilizing services

Trend in # of facility residents





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1-2　Future Prospects

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Future Market Trends and Responses

Overall manufacturing industry… Severe conditions are expected due to the impact of U.S.-China trade issues and sluggish personal consumption

Automobiles…Domestic production is not expected to grow as in the past

Electronic devices… While there are signs of recovery in some areas, the recovery period of the entire industry is expected to be delayed until next FY year onward

Demand for human resources in client markets is expected to remain weak

※Investments in human resources development will continue by appropriately assessing market trends
※Main Company-specific Measures

(Automobiles companies) Further strengthen relationships with manufacturers, enhance the quality of assigned personnel, and strive to increase market shares

(Semiconductor companies) Promote the development and assignment of equipment maintenance personnel and secure OP demand in anticipation of future expansion of growth

(Electronic components companies) Improve productivity and operation rates with equipment maintenance + OP structure to increase production hereafter

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Medium- to Long-term Growth

Hereafter, the environments of manufacturing sites are expected to change significantly, as technologies such as IoT, artificial intelligence, and robotics evolve and life cycles of products are shortened.

NISSO views these changes as opportunities, and will formulate plans for faster and greater growth.

【Story of Growth】

- NISSO will strive to enhance our basic strategy, "Aiming to raise unit-costs and improve profitability through the assignment of skilled staff to important clients, centering on Account Companies", to expand into the growth sectors of Account Companies, and will promote the development of human resources, including skilled staff, who can provide services that respond to the more advanced needs of our clients
- NISSO will also strengthen investments in the production technology domain more than ever before, establishing it as a new business model, and strive to expand our business domains

※The details of the strategy will be explained in the Medium-term Management Plan scheduled to be announced in May 2020.

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2. Earnings Forecast for FY 3/2020

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FY 3/2020 Outlook for Consolidated Earnings

NISSO announces the revision of the Full-year Consolidated Forecast for FY 3/2020 (April 1, 2019 - March 31, 2020) which was announced on May 10, 2019, based on recent business performance trends.

◆ Full-year Consolidated Forecast for the FY 3/2020 (April 1, 2019 ~ March 31, 2020)

(Unit: Million yen/%)

	Initial forecast	Revised	Comparison w. initial forecast		FY 3/19 Results	Year-on-Year	
			Increase (Decrease)	% Change		Increase (Decrease)	% Change
Net sales	**80,000**	**74,300**	**(5,700)**	**(7.1%)**	**69,161**	**5,138**	**7.4%**
Operating profit (Profit margin, %)	**3,900** 4.9%	**2,700** 3.6%	**(1,200)**	**(30.8%)**	**2,869** 4.1%	**(169)**	**(5.9%)**
Ordinary profit (Profit margin, %)	**4,000** 5.0%	**2,750** 3.7%	**(1,250)**	**(31.3%)**	**2,895** 4.2%	**(145)**	**(5.0%)**
Profit attributable to owners of parent (Profit margin, %)	**2,760** 3.5%	**1,840** 2.5%	**(920)**	**(33.3%)**	**2,053** 3.0%	**(213)**	**(10.4%)**

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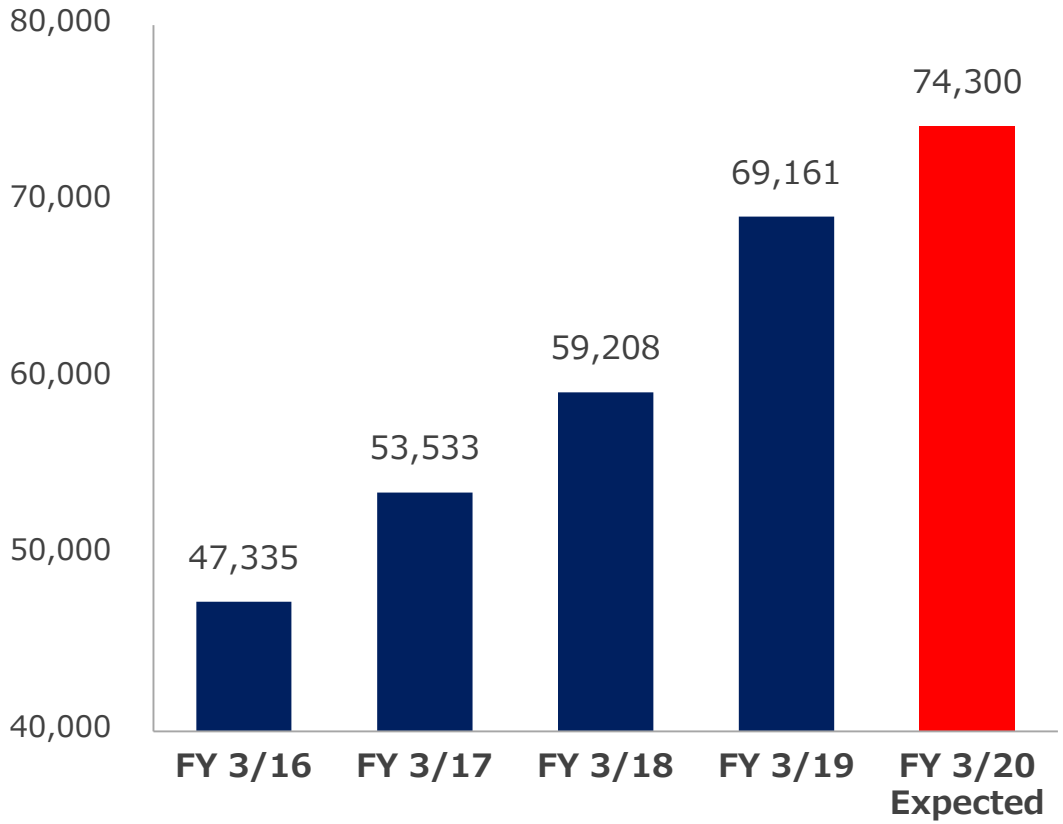
Outlook for Consolidated Earnings Trends

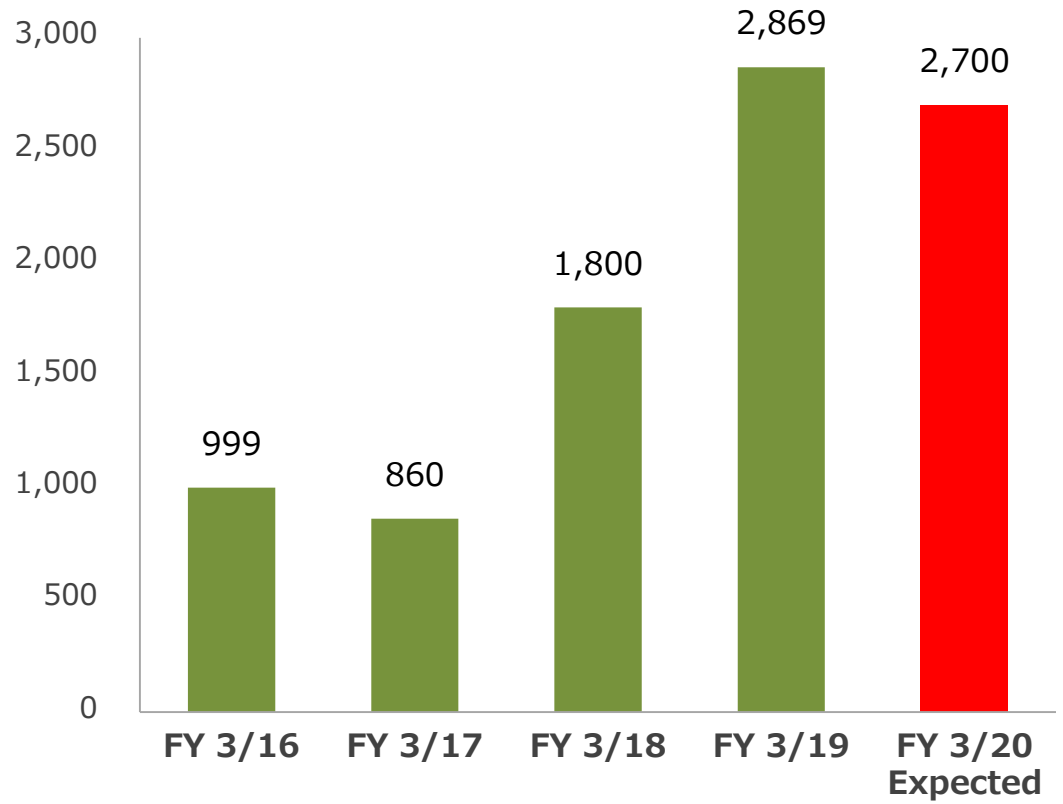
Net sales

(Unit: Million yen)



Operating profit

(Unit: Million yen)



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3. Topics

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Nikon Nisso Prime Corporation launched

"Creating a society where people can continue to work"

Nikon Nisso Prime Corporation inherits part of the business of its predecessor, Nikon Staff Service Corporation, and was launched on January 6, 2020 with the aim of integrating the expertise of Nikon Corporation and NISSO CORPORATION and creating synergy through collaboration.
By supporting the active participation of older employees of the Nikon Group, starting with the expanding and the securing of their employment opportunities, and conducting the research and development of a structure that enables older people in society to continue working, Nikon Nisso Prime Corporation aims to create a "social platform that allows anyone with a desire to work to adapt to changes in the social environment and continue to work".

Nikon Nisso Prime will strive to contribute as a member of society that creates a better future.

【Company Overview】

Company name	Nikon Nisso Prime Corporation（Japanese: 株式会社ニコン日総プライム）
Head office location	Shin-Yokohama 214 Bldg. 8F, 2-14-2 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
Representative	President　Masahiko Yoshida
Shareholders	Nikon Corporation (TSE1 7731) 51% NISSO CORPORATION (TSE1 6569) 49%
Capital	50 Million JPY
Main Businesses	Comprehensive HR Services, Outsourcing Business Planning, R&D, operation and support of structure development and opportunity creation for seniors' continued employment
URL	https://www.n-prime.co.jp

N-PRIME
株式会社ニコン日総プライム
(Nikon Nisso Prime Corporation)

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NISSO was selected as First Place for the 2nd consecutive year in the Oricon Customer Satisfaction® ranking 2020 for "Manufacturing Dispatching"

In addition, NISSO was ranked #1 in all 6 pre-set evaluation items
Evaluation Items･･･"Ease of Registration･Contract", "In-house Training", "Welfare Programs", "Response of Contact Personnel", "Information Provided", and "Negotiating Capability"

【Survey Overview】

Survey period:	9/11/2019~9/17/2019
Updated date:	1/6/2020
# of samples:	1,155 people
Minimum # of people:	50+ people
# of companies evaluated:	22

Survey respondents

Gender :	No specification
Age :	18+ yrs. old
Region :	Nationwide
Conditions :	Persons dispatched from dispatching companies within the past 7 years with manufacturing-related work experience



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4. Shareholder Return Policy

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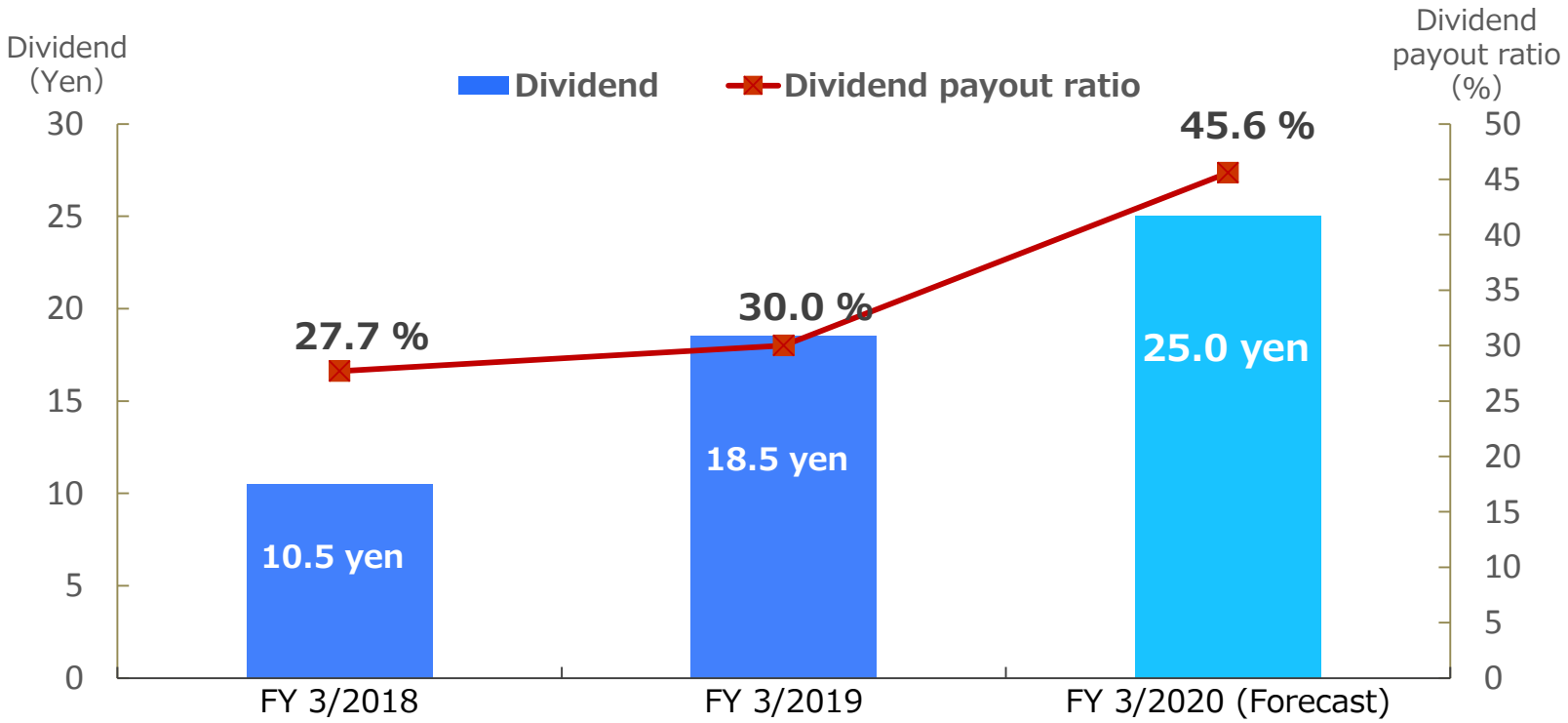
Shareholder Return Policy

- 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.
- Regarding the year-end dividend for FY 3/2020, although the full-year consolidated results have been downwardly revised, the dividend amount per share (25.00 yen) announced on May 10, 2019 in the "Summary of Consolidated Financial Results for FY 3/2019 [Japanese GAAP] (Consolidated) Dividend Forecast" is not scheduled to change.



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

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5. Supplementary Materials

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Consolidated Balance Sheet

(Unit: Million yen/%)

	Mar. 2019-end		Dec. 2019-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	**14,174**	**67.4**	**14,318**	**68.2**	**143**
Cash and deposits	5,633	26.8	5,564	26.5	(69)
Notes and accounts receivable-trade	7,757	36.9	7,901	37.6	143
Non-current assets	**6,844**	**32.6**	**6,671**	**31.8**	**(173)**
Property, plant and equipment	4,942	23.5	4,944	23.6	1
Intangible assets	359	1.7	400	1.9	40
Investments and other assets	1,542	7.3	1,327	6.3	(215)
Total assets	**21,019**	**100**	**20,989**	**100**	**(29)**
Current liabilities	**9,161**	**43.6**	**8,480**	**40.4**	**(681)**
Accrued expenses	4,751	22.6	4,859	23.2	108
Income taxes payable	742	3.5	192	0.9	(549)
Provision for bonuses	738	3.5	440	2.1	(298)
Non-current liabilities	**1,312**	**6.2**	**1,307**	**6.2**	**(4)**
Long-term loans payable	750	3.6	658	3.1	(92)
Total liabilities	**10,474**	**49.8**	**9,788**	**46.6**	**(686)**
Shareholders' equity	**10,535**	**50.1**	**11,236**	**53.5**	**701**
Total net assets	**10,544**	**50.2**	**11,201**	**53.4**	**656**
Total liabilities and net assets	**21,019**	**100**	**20,989**	**100**	**(29)**

Point

① Sale of shares

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

② Payment of taxes

Current liabilities decreased due to payments for (corporate) income taxes and bonuses

③Overall

As a result of the above and the recording of profits, liabilities decreased and net assets increased

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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〉

IR Division, PR・IR Department
NISSO COROPORATION
TEL : 045-777-7630
E-mail : ir@nisso.co.jp
URL : http://www.nisso.co.jp/

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