Nurturing and Bringing Out the Best in People

日総工産株式会社

NISSO CORPORATION

TSE 1 Code: 6569

First Nine Months of FY 3/2021

Financial Results Briefing Materials

February 8, 2021

Summary

FY 3/2021 3Q Results

- Decreased revenue and profits year-on-year (Operating profit)
- Ordinary profit increased
- Improved operational adjustments in almost all industries
- Automobiles industry-related human resources needs recover

FY 3/2021 Consolidated Earnings Forecast

- Domestic and overseas demand recovers, mainly from automobiles manufacturers, and operations increase
- Recovery from the effects of the new coronavirus (COVID-19) becomes clear, and the forecast is revised upward

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First Nine Months of FY 3/2021 (3Q)

Financial Results Summary

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FY 3/2021 3Q Consolidated Financial Results Highlights

Points

- Although revenue and profits decreased, partly due to a decrease in enrollment, operating profit increased YoY (76.7 billion yen) in 3Q alone from an increase in operations (number of working days, overtime hours, holiday work, etc.).
- Ordinary profit increased YoY (including subsidy income).
- In Other Businesses, revenues increased due to an increase in the number of residents of Building 6. Operating loss also improved.

(Unit: Million yen)

	FY 3/20 3Q		FY 3/21 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	**55,718**	100.0%	**50,442**	**100.0%**	**(5,275)**	**(9.5%)**
Gross profit	**9,515**	17.1%	**8,433**	**16.7%**	**(1,082)**	**(11.4%)**
SG&A expenses	**7,619**	13.7%	**6,754**	**13.4%**	**(864)**	**(11.4%)**
Operating profit	**1,896**	3.4%	**1,678**	**3.3%**	**(217)**	**(11.5%)**
Ordinary profit	**1,940**	3.5%	**2,005**	**4.0%**	**65**	**3.4%**
Profit attributable to owners of parent	**1,307**	2.3%	**1,284**	**2.5%**	**(23)**	**(1.8%)**

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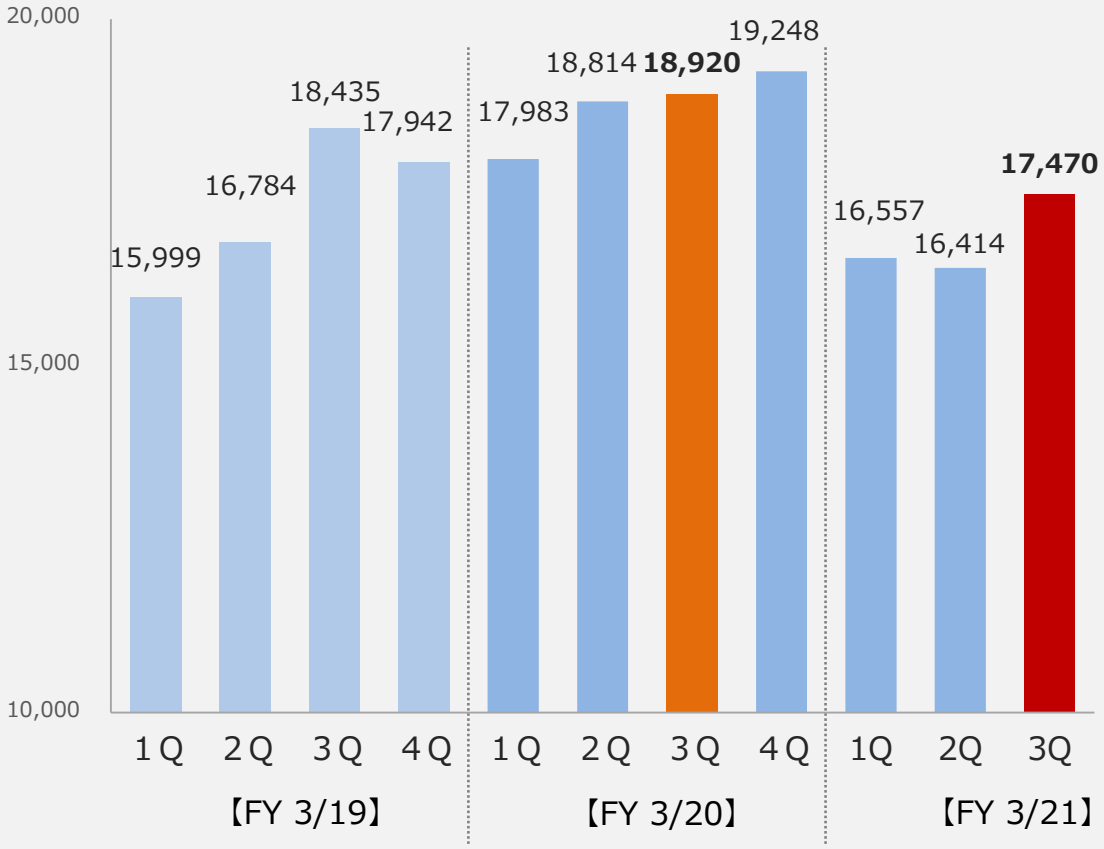
FY 3/2021 Quarterly Consolidated Financial Results

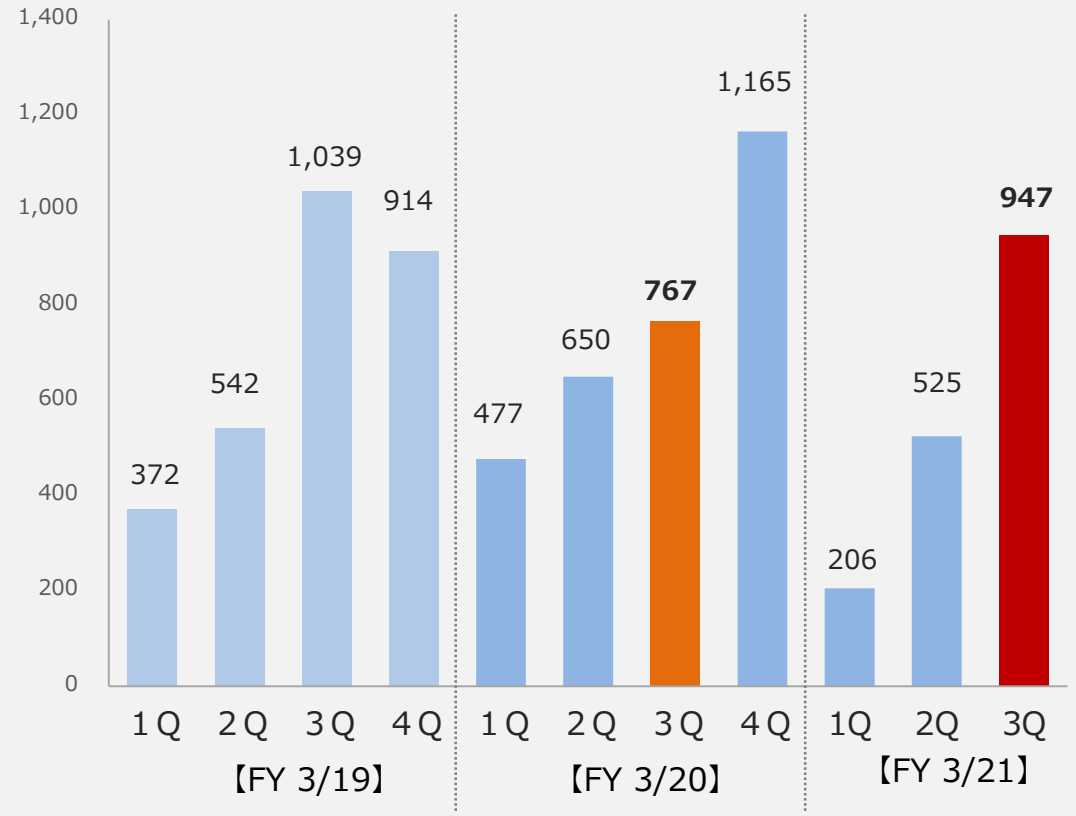
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



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FY 3/2021 3Q Non-consolidated Financial Results Highlights

Net sales

- Although net sales decreased by 10.2% due to the impact of decreases in enrollment, the rate of decline decreased due to an increase in operations (number of working days, overtime hours, holiday work, etc.).

Expenses・Profits

- Operating profit margin improved with increased operations (number of working days, overtime hours, holiday work, etc.).
- Ordinary profit increased YoY, partly due to the recording of subsidy income in non-operating income.

(Unit: Million yen)

	FY 3/20 3Q		FY 3/21 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	**51,433**	100.0%	**46,191**	100.0%	**(5,241)**	(10.2%)
Gross profit	**9,040**	17.6%	**8,028**	17.4%	**(1,011)**	(11.2%)
SG&A expenses	**7,125**	13.9%	**6,309**	13.7%	**(815)**	(11.4%)
Operating profit	**1,915**	3.7%	**1,718**	3.7%	**(196)**	(10.3%)
Ordinary profit	**1,917**	3.7%	**1,962**	4.2%	**45**	2.3%
Profit	**1,304**	2.5%	**1,263**	2.7%	**(40)**	(3.1%)

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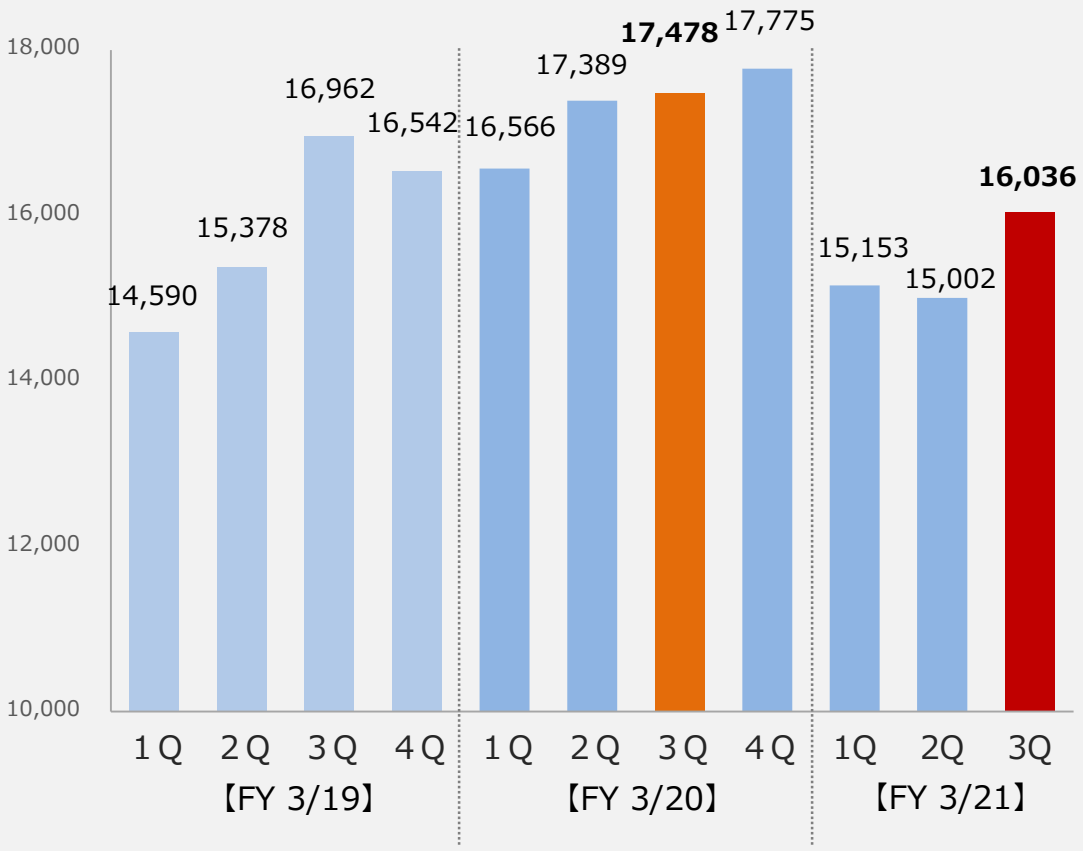
FY 3/2021 Quarterly Non-consolidated Financial Results

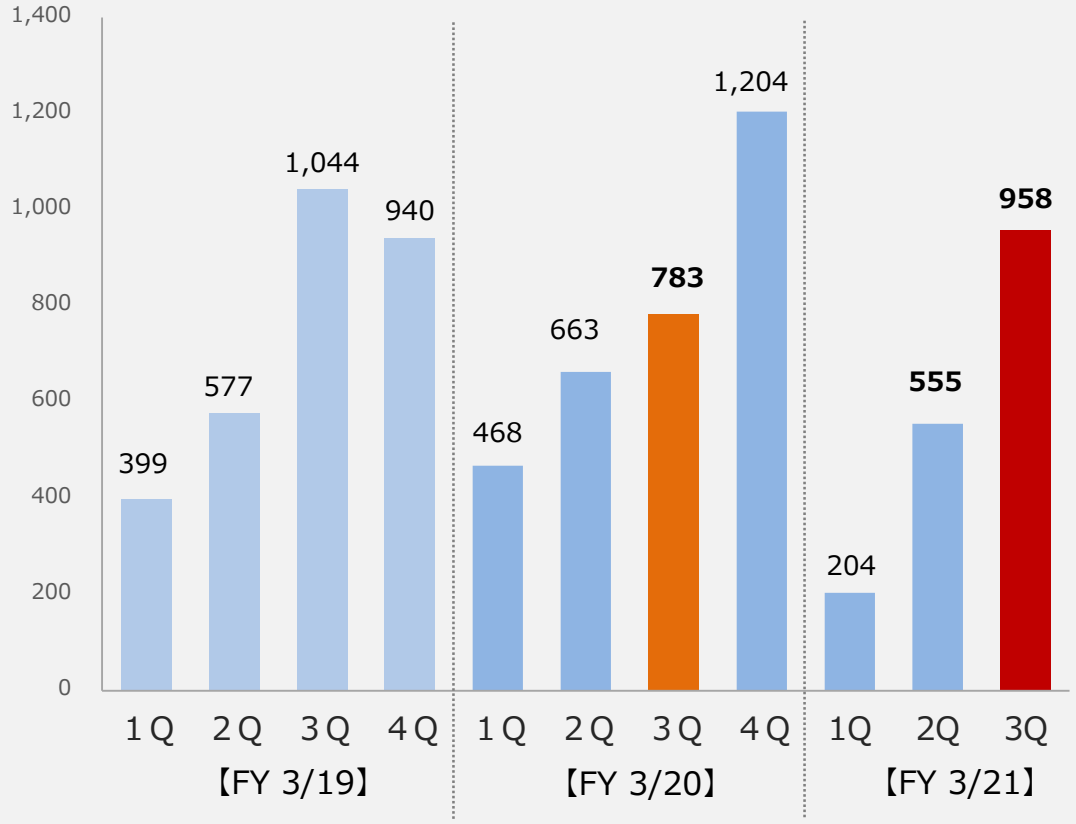
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



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First Nine Months of FY 3/2021 (3Q)

Overview of Activities

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FY 3/2021 3Q Financial Results Summary

Consolidated Financial Results

Net Sales **50,442 Million yen** (-5,275 Million yen／ -9.5% YoY)
Operating Profit **1,678 Million yen** (-217 Million yen／-11.5% YoY)

- **Net Sales by Industry (YoY)**

  Automobiles ･･･ **(15.5%)**
  Electronic devices ･･･ **+3.4%**

- **3Q-end Number of Enrolled Staff**

  12,692 staff
  (-2,078 staff from FY 3/20-end)
  (+168 staff from 2Q-end)

- **Net Sales per Capita/Monthly**

  389 Thousand yen
  (-6 Thousand yen YoY)

・In the automobiles-related industry, although net sales decreased by 15.5% YoY, the rate of decrease narrowed. Compared to 2Q, net sales increased significantly.
・In the electronic devices-related industry, IT demand remained firm, and net sales were strong.

・Although the number of enrolled staff decreased by 2,078 compared to FY 3/20-end, it increased by 168 compared to 2Q.

・Operations (number of working days, overtime hours, holiday work, etc.) increased, and net sales per capita were on a recovery trend. The amount of decrease also improved from 2Q (which was at -20 Thousand yen).

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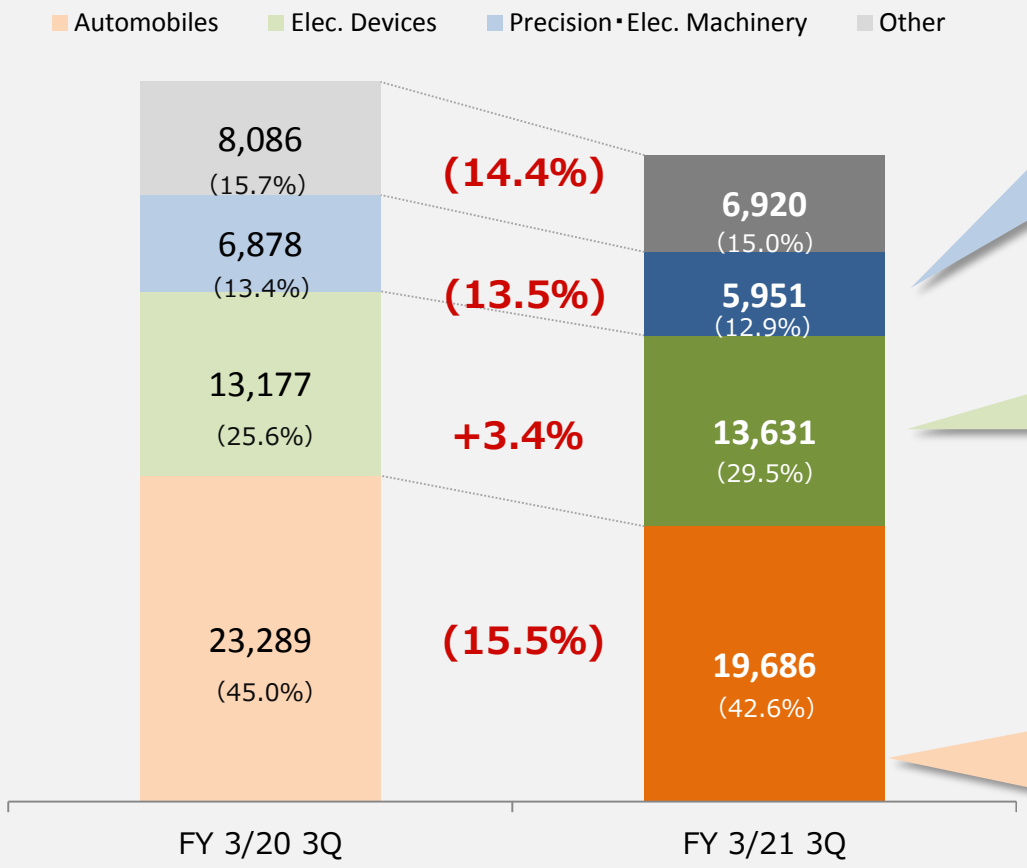
FY 3/2021 3Q Net Sales by Industry (NISSO, Non-consolidated)

(Unit: Million yen)

Net Sales Composition Ratios



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

【Precision・Electrical Machinery】

Due to changes in work-styles such as teleworking, demand did not grow, and net sales decreased by 13.5% YoY.

【Electronic Devices】

Semiconductors continued to be strong, partly due to steady IT demand due to 5G and changes in work-styles, and a recovery in demand related to in-vehicle electronic devices. Net sales increased by 3.4% YoY.

【Automobiles】

Due to the recovery of domestic and overseas demand, operations (number of working days, overtime hours, holiday work, etc.) increased. The number of auto-body manufacturers who increased both production and personnel also increased. Although net sales decreased by 15.5% YoY, it increased by 12.8% on a quarterly basis compared to 2Q.

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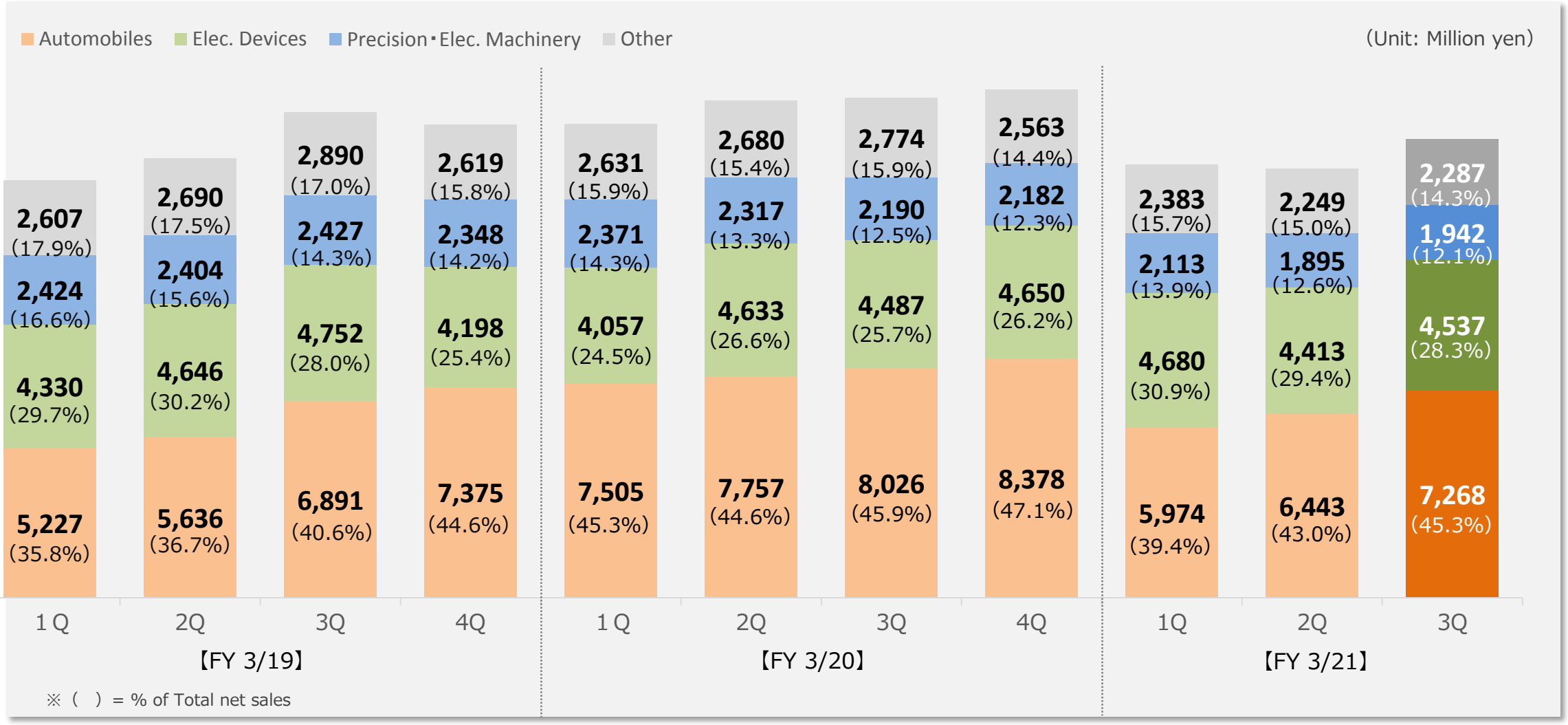
FY 3/2021 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



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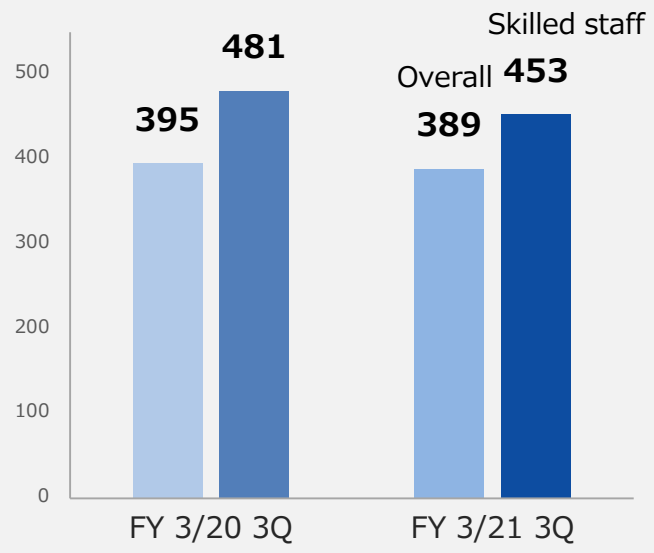
Net Sales per Capita（NISSO, Non-consolidated）

- FY 3/2021 3Q YTD　<Overall net sales per capita>　389 Thousand yen (　-6 Thousand yen YoY)
  <Skilled staff net sales per capita>　453 Thousand yen (-28 Thousand yen YoY)
- Although net sales per capita (monthly average conversion) decreased YoY, operations (number of working days, overtime hours, holiday work, etc.) increased. On a quarterly basis, net sales per capita for both overall and skilled staff increased YoY.

(Unit: Thousand yen)

Net Sales per Capita

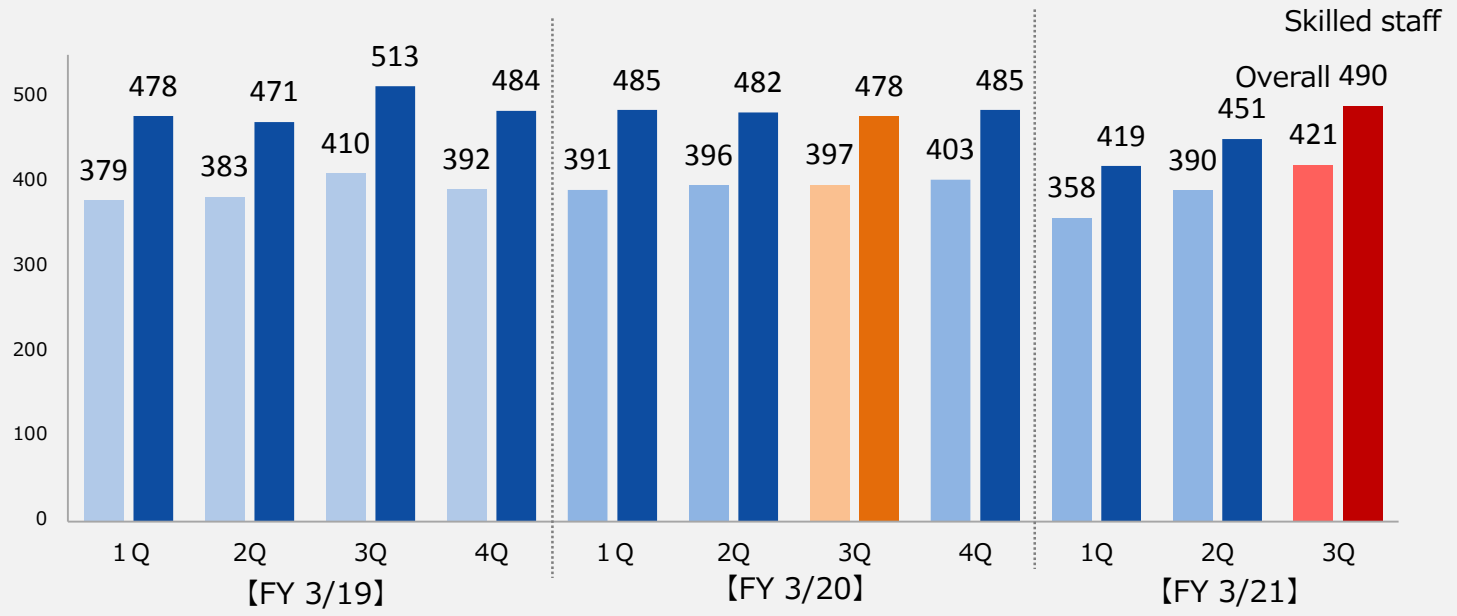
(Monthly Average Conversion)



(Unit: Thousand yen)

Net Sales per Capita

(Quarterly)



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Number of Enrolled Staff (NISSO, Non-consolidated)

Compared w. 2Q-end

+168 staff (+1.3%)

Point①

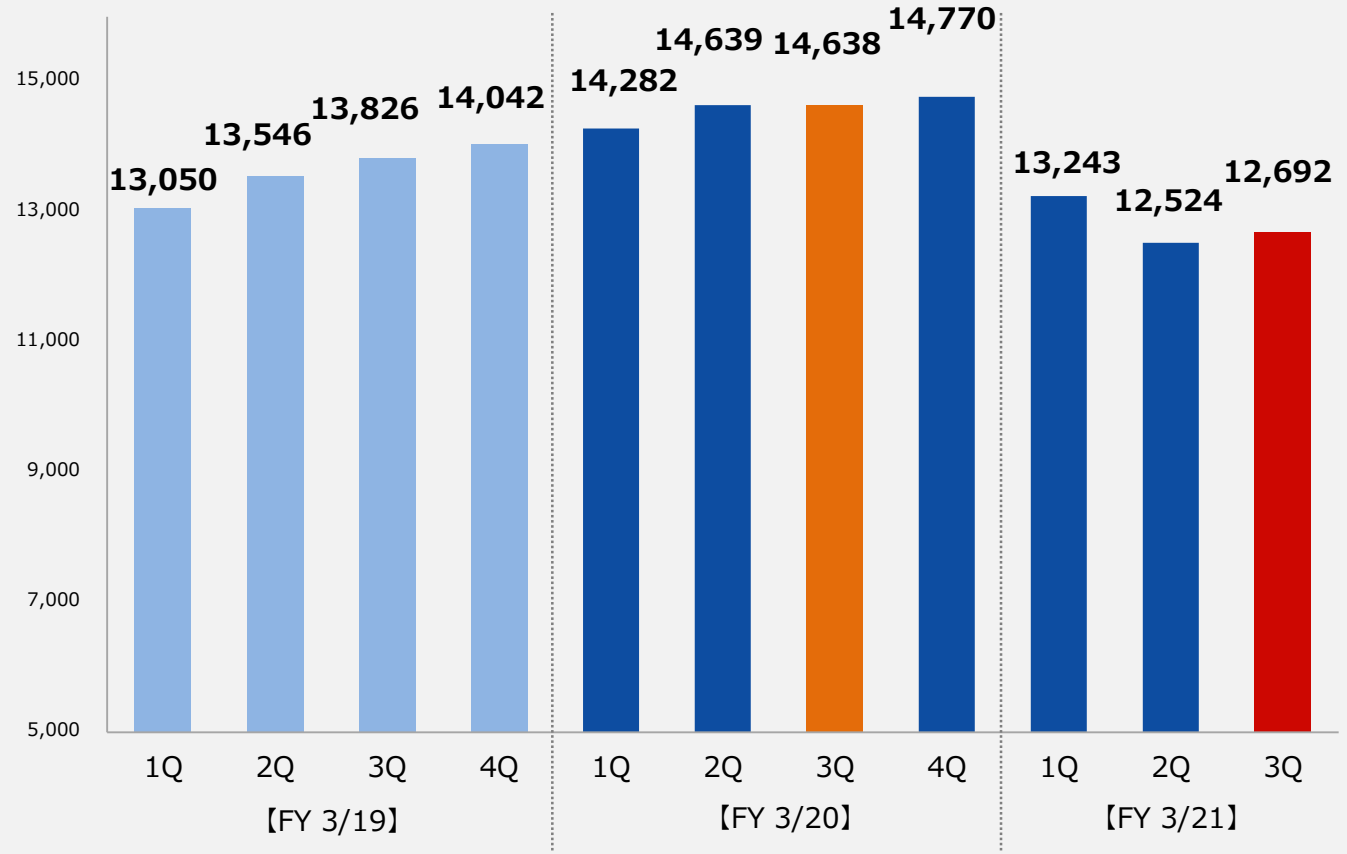
Due to new hires and the curbing of enrolled staff leaving NISSO, the number of enrolled staff is starting to increase on a quarterly basis.

Point②

Human resources needs of clients in the automobiles-related industry increased. The number of auto-body manufacturers who increased both production and personnel also increased. Human resources needs are on a recovery trend in other industries as well.

(Unit: # of Staff)

Number of Enrolled Staff at Quarter-end



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Number of Skilled Staff (NISSO, Non-consolidated)

(Unit: # of Staff)

Point①

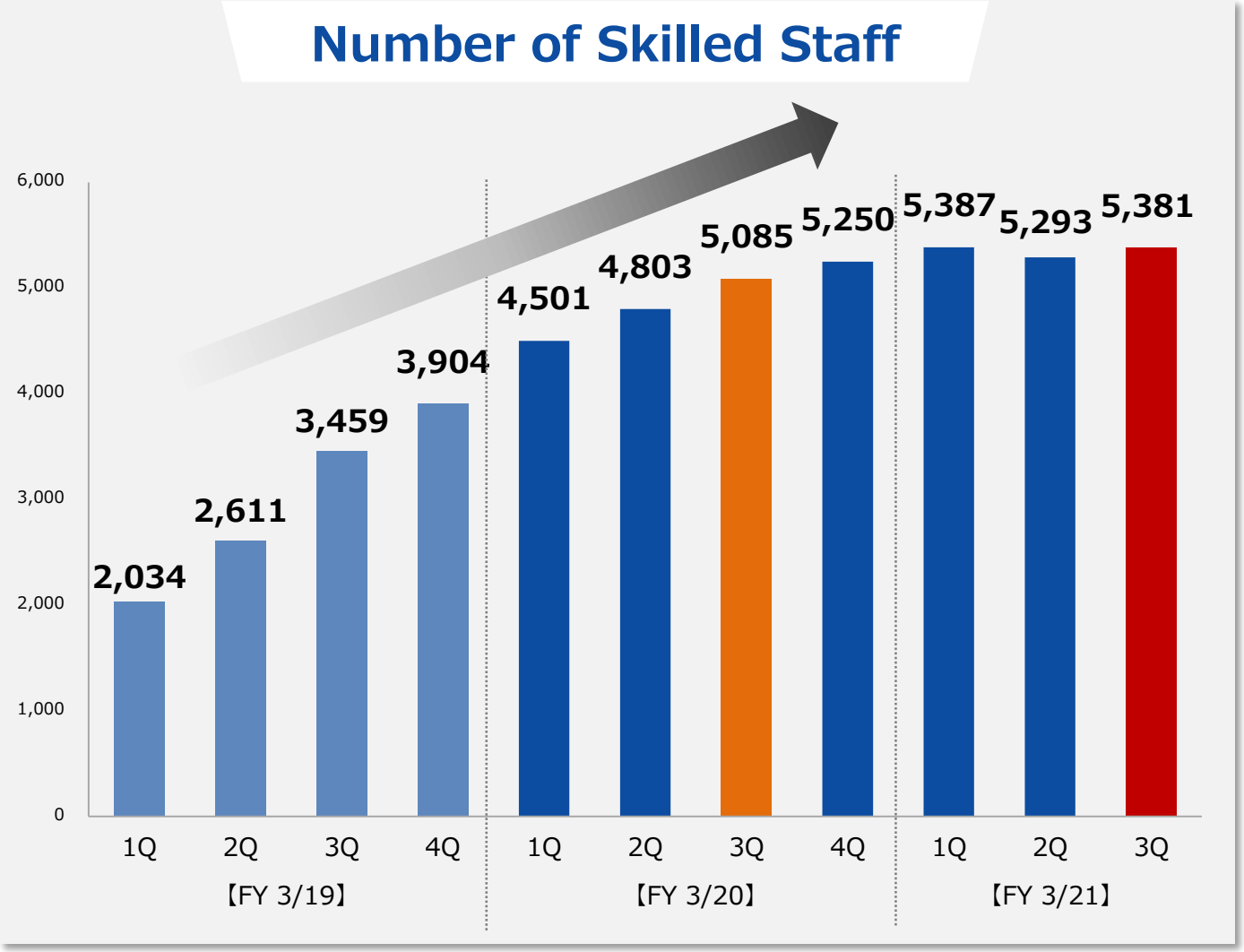
The number of skilled staff is starting to increase, mainly in Account Companies.
(+88 staff compared to 2Q-end)

Point②

In addition to the steady performance of the semiconductor-related industry, the number of skilled staff increased, mainly in the electronic devices industry, due to the recovery in demand related to in-vehicle products.

Point③

The ratio of skilled staff to NISSO's total enrolled staff remained at 42.4%, partly due to the increase in enrolled staff company-wide.
(FY 3/2021 2Q: 42.3%)



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Account Companies (NISSO, Non-consolidated)

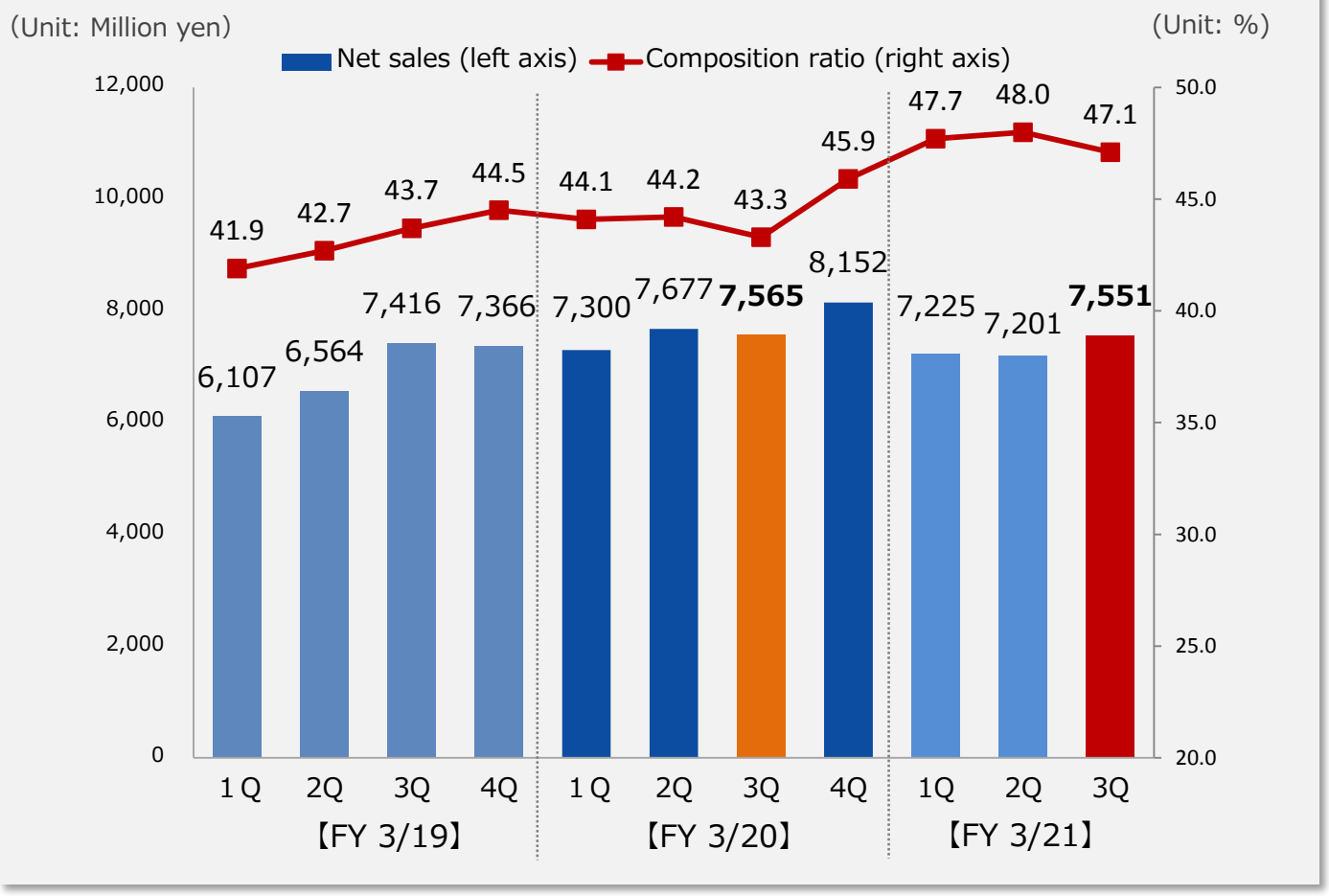
Point①

YTD net sales of Account Company Groups were -2.5% YoY, which was less impacted by COVID-19 compared to NISSO's net sales.

Point②

- YTD net sales of the automobiles and electronics Account Company Groups increased YoY.
- In 3Q alone, net sales recovered to -0.2% YoY, almost the same level as the previous FY.

Account Company Groups Net Sales



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Turnover Rates (NISSO, Non-consolidated)

FY 3/2021 3Q Results

Overall turnover rate

4.4%

(-0.3 pts vs. FY 3/2021 2Q-end)

Skilled staff turnover rate

2.0%

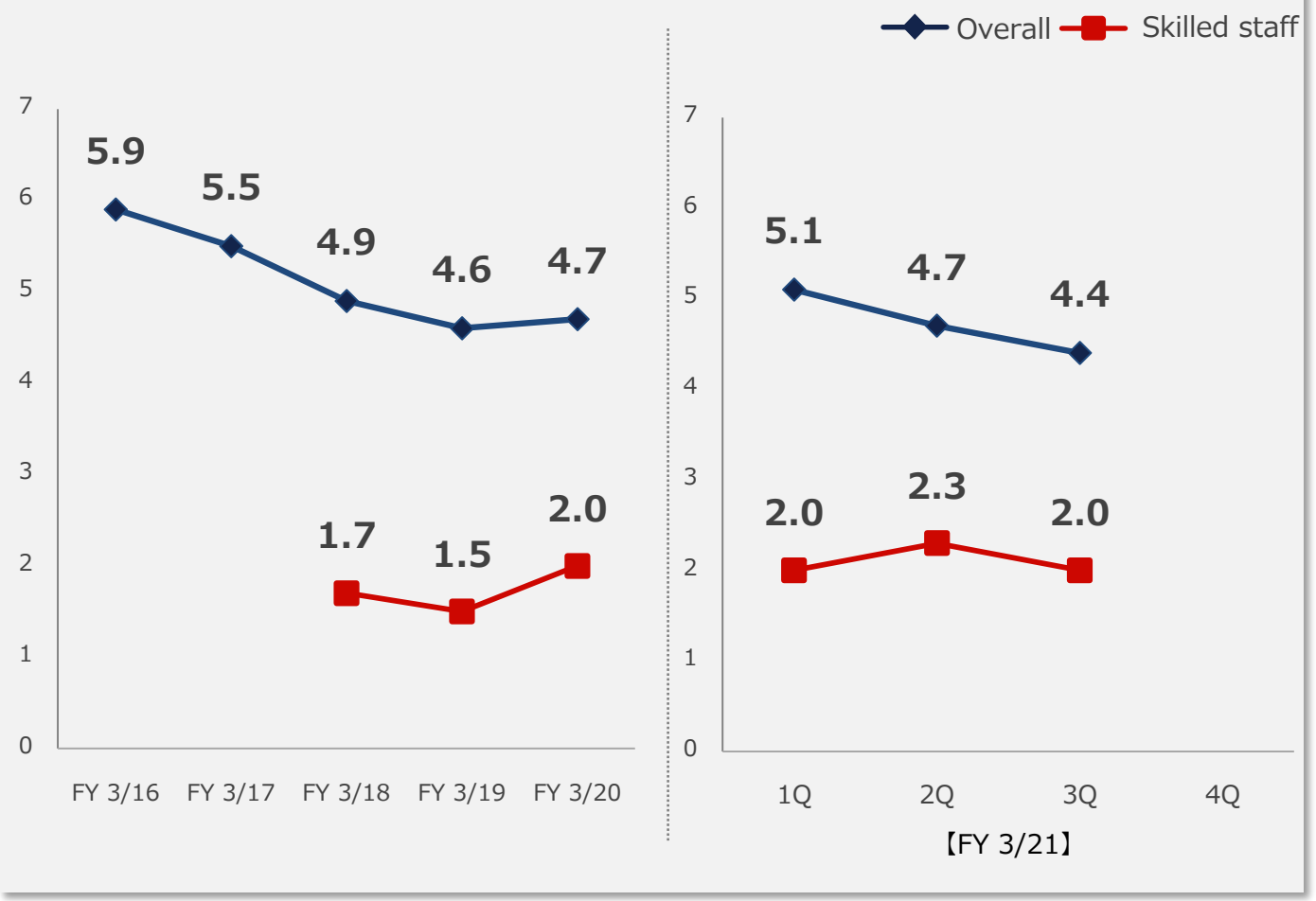
(-0.3 pts vs. FY 3/2021 2Q-end)

Points

- The overall turnover rate improved by 0.3 points to 4.4%, down from 2Q-end.
- The turnover rate for skilled staff also improved by 0.3 points to 2.0%, also down from 2Q-end.

(Unit: %)

Trend of Turnover rates



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Educational Achievements（NISSO, Non-consolidated）

Point①

The overall number of participants decreased YoY due to continued restrictions on the number of participants due to measures to prevent the spread of COVID-19 infections.

Point②

Orders from semiconductor manufacturers for equipment maintenance personnel were strong.

Point③

The number of employee education participants has increased due to the enhancement of on-line contents, and increased YoY.

- FY 3/2021 2Q Course-specific educational achievements (total # of participants)

(Unit: # of participants)

Training course name	3 Q (Oct - Dec)	Contents	FY 3/20 3Q
Skilled staff education	258	Standard skilled staff education	589
Basic maintenance education	51	Basic equipment maintenance education	82
Accredited vocational training education	36	Accredited vocational training school (Miyagi・Nagano Prefectures)	38
Manufacturing education	666	*MONOZUKURI* (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	1,526
Safety education	688	Danger・risk simulation education	1,258
Employee education	198	New graduate/mid-career entry/ mid-level employee training, newly appointed chief education, on-site supervisor education	112
Other education	–	Entrusted education from external sources	–
Total	1,897		3,605

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Other Businesses Business Revenue

Points

- Operating loss was 21 million yen, an improvement from 2Q (which was at -39 million yen).
- Although the number of residents in nursing care facilities Buildings 1~5 decreased, the number of residents in Building 6, which opened in 2018, increased steadily.
- There was no change in the total number of residents across all facilities.

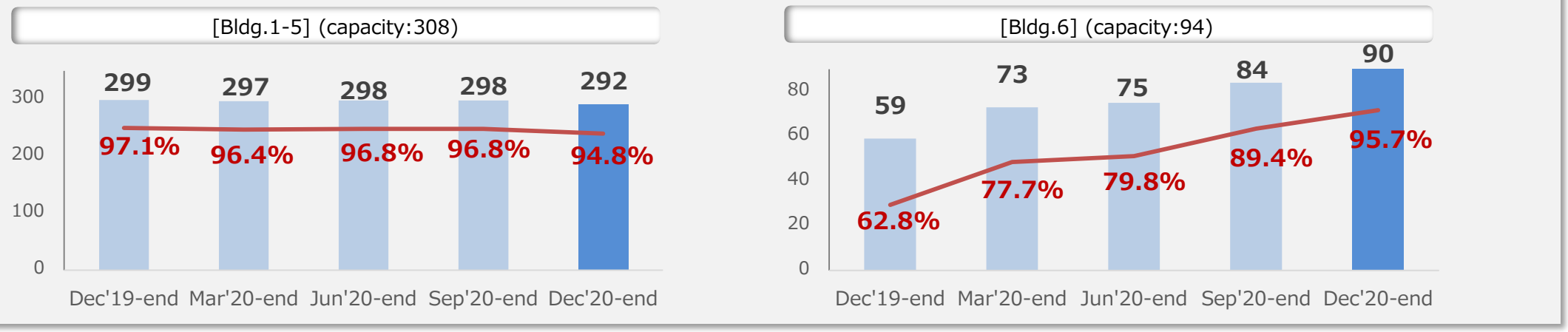
● Results of Other Businesses

(Unit: Million yen)

	FY 3/20 3Q		FY 3/21 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	2,068	100.0%	2,220	100.0%	152	7.4%
Expenses	2,084	100.8%	2,242	101.0%	158	7.6%
Operating profit (loss)	(16)	(0.8%)	(21)	(1.0%)	–	–

(Unit: # of residents)

Number of facility residents



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3 Future Prospects (FY 3/2021)

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FY 3/2021 Revision of Full-year Consolidated Forecasts

Based on recent performance trends, NISSO has revised the Full-year Consolidated Forecast for FY 3/2021 (April 1, 2020 ~ March 31, 2021). (Announced on January 19, 2021)

■FY 3/2021 Full-year Consolidated Forecast (April 1, 2020 ~ March 31, 2021)

(Unit: Million yen)

	Previous Forecast (announced Nov. 6, 2020)		Present Revised Forecast		Change from Previous Forecast		FY 3/20 Results	
	Forecast	% of Total	Forecast	% of Total	Increase (Decrease)	% Change	Results	% of Total
Net sales	**67,000**	100.0%	**68,000**	100.0%	**1,000**	1.5%	**74,966**	100.0%
Operating profit	**1,800**	2.7%	**2,400**	3.5%	**600**	33.3%	**3,061**	4.1%
Ordinary profit	**2,100**	3.1%	**2,750**	4.0%	**650**	31.0%	**3,149**	4.2%
Profit attributable to owners of parent	**1,300**	1.9%	**1,700**	2.5%	**400**	30.8%	**2,033**	2.7%

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4 Topics

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Capital and Business Alliance with CrossLink Co., Ltd.

NISSO resolved to form a capital and business alliance with CrossLink Co., Ltd., at the Board of Directors' Meeting held on January 19, 2021.

Purpose of Business Alliance

"HR Cross", a web-based human resources management system provided by CrossLink Co., Ltd., which is jointly funded by 8 manufacturing-related human resources companies, enables client companies to communicate with each dispatching company on-line, and realizes centralized management of all processes from recruitment, contracts, management and evaluation of dispatched staff, and billing to client companies.
In the future, this system will be made open, or freely available, in order to encourage its introduction to each manufacturing dispatching company, while aiming for it to become a de facto standard for electronic transactions in the manufacturing-related human resources dispatching industry, with the aim for it to become a single point of contact between the dispatching companies and each client company.

【Company Overview】

(1) Company name	CrossLink Co., Ltd.
(2) Location	Shin Yokohama Center Bldg. 2F, 2-5-15 Shin Yokohama, Kohoku-ku, Yokohama, Kanagawa
(3) Representative	CEO Ryo Emoto
(4) Business description	・Support for construction of in-house job sites and web marketing ・Operation of "Cross Learning", an e-learning service dedicated to career enhancement education and training ・Consulting support for career enhancement education and training
(5) Capital	105 Million JPY (incl. capital reserves)
(6) Date of establishment	April 8, 2013

※For more information, please refer to the "Notice of Capital and Business Alliance with CrossLink Co., Ltd." announced on January 21, 2021.

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Celebrating NISSO's 50th Anniversary

On February 3, 2021, NISSO celebrated the milestone of the 50th Anniversary of our founding. We would like to express our heartfelt gratitude to all of you for your continued support and kindness.

For All of Tomorrow

In order to move forward into the future with our clients and the working people, it is essential to be a sustainable functional body. It is our mission to implement thorough health and safety management in the working environment and to realize Decent Work, or the securing of good working conditions for all.

Regardless of what era we are in, we will never forget to return to the origins of our founding philosophy of "*Nurturing and Bringing Out the Best in People*". It is not just about education, but we believe that it is important for people to be aware of their talents and capabilities through their work, that their motivations and values are always linked to their accomplishments, and that it is important to be able to return the results to society.

We firmly believe that the essence of human resources services and the significance of NISSO's existence is to guide and direct this scheme to all working people.

We look forward to your continued support and guidance in the future.

NISSO CORPORATION
50th ANNIVERSARY

Ryuichi Shimizu
Chairman, President, CEO &
Representative Director
NISSO CORPORATION

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5 Shareholder Return Policy

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Shareholder Return Policy

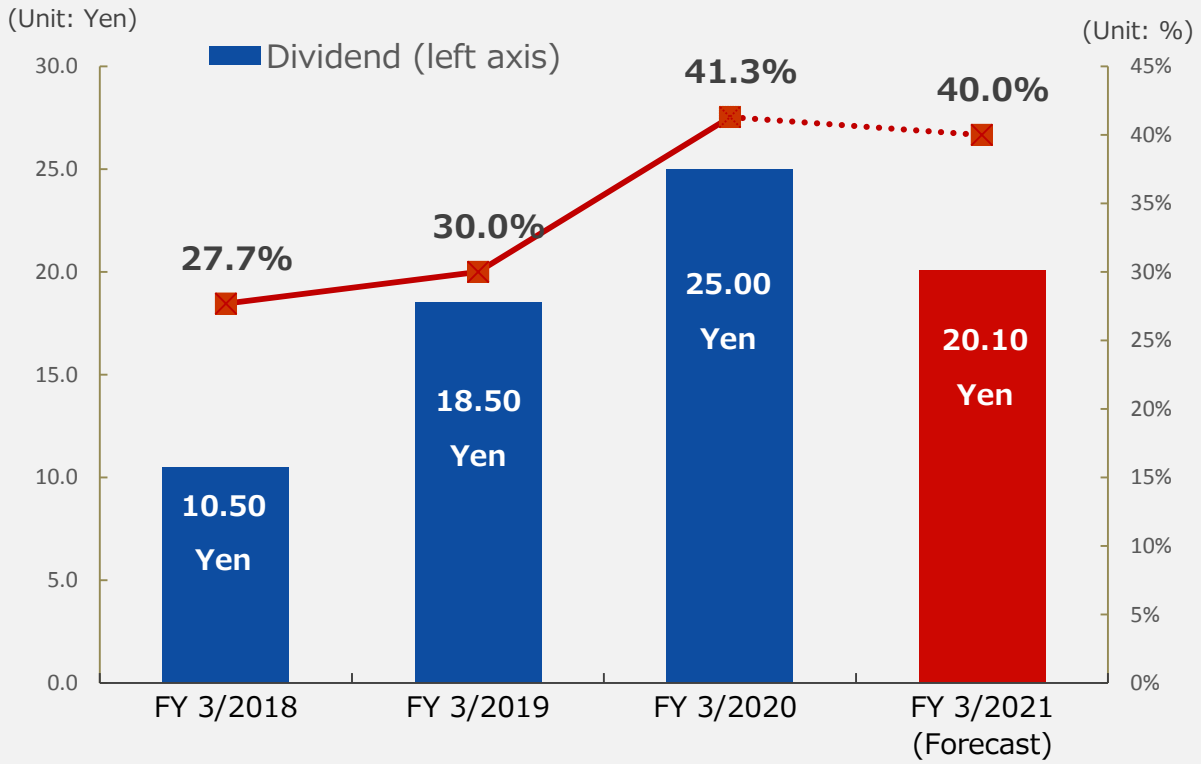
Basic Policy

NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues. In addition, by setting the consolidated dividend payout ratio of 30% as a general standard, NISSO's basic policy is to continue to steadily redistribute profits to all of our shareholders.

FY 3/2021 Dividend Forecast

- Due to the upward revision of the Full-year Consolidated Forecast, the expected dividend per share (previous forecast: 11.53 yen) has been revised to 15.10 yen.
- In addition, a 50th Anniversary Commemorative Dividend of 5.00 yen will be implemented.
- As a result, the commemorative dividend of 5.00 yen will be added to the ordinary dividend of 15.10 yen, and the year-end dividend forecast will be 20.10 yen.

Dividend and Payout Ratio



※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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6 Supplementary Materials

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Consolidated Balance Sheet

(Unit: Million yen, %)

	Mar. 2020-end		Dec. 2020-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	**15,622**	**69.5**	**14,284**	**67.0**	**(1,338)**
Cash and deposits	6,365	28.3	6,352	29.8	(12)
Notes and accounts receivable - trade	8,434	37.5	7,094	33.3	(1,339)
Non-current assets	**6,871**	**30.5**	**7,034**	**33.0**	**162**
Property, plant and equipment	4,754	21.1	4,718	22.1	(36)
Intangible assets	377	1.7	358	1.7	(18)
Investments and other assets	1,739	7.7	1,956	9.2	217
Total assets	**22,494**	**100**	**21,318**	**100**	**(1,175)**
Current liabilities	**9,279**	**41.3**	**7,651**	**35.9**	**(1,627)**
Accrued expenses	4,648	20.7	4,444	20.9	(203)
Income taxes payable	812	3.6	84	0.4	(727)
Provision for bonuses	879	3.9	486	2.3	(392)
Non-current liabilities	**1,319**	**5.9**	**1,314**	**6.2**	**(4)**
Long-term loans payable	623	2.8	520	2.4	(103)
Total liabilities	**10,598**	**47.1**	**8,965**	**42.1**	**(1,632)**
Shareholders' equity	**11,974**	**53.2**	**12,429**	**58.3**	**455**
Total net assets	**11,895**	**52.9**	**12,352**	**57.9**	**456**
Total liabilities and net assets	**22,494**	**100**	**21,318**	**100**	**(1,175)**

Point

①Reduction due to reduced operations

Due to the reduction of operations of manufacturing-related human resources services, "notes and accounts receivable (trade)", etc., of current assets and "accrued expenses", etc., of current liabilities decreased.

②Investments

Due to equity investment associated with the business alliance, "investments and other assets" of non-current assets increased.

③Tax payments

Due to income taxes and other tax payments, "income taxes payable", etc., of current liabilities decreased.

④Bonus payments

Due to bonus payments, "provision for bonuses" of current liabilities decreased.

⑤Overall

As a result of the above, total assets decreased by 5.2%, total liabilities decreased by 15.4%, total net assets increased by 3.8%, and equity ratio increased by 5.1% to 57.9% compared to the end of the previous fiscal year.

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Nurturing and Bringing Out

the Best in People

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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