Coverage initiated on: 2021-01-21
Last update: 2024-03-22

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NISSO HOLDINGS

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Executive summary

Business overview

Nisso is an HR services company whose main business is dispatching workers to manufacturers. In FY03/23, revenue was JPY90.8bn, and operating profit was JPY2.3bn. The company has two segments: the General HR Services business (FY03/23 revenue of JPY87.8bn and operating profit of JPY2.2bn) and Other businesses (FY03/23 revenue of JPY3.0bn and operating profit of JPY48mn). In the General HR Services business, the company mainly dispatches personnel to work in manufacturing companies' production divisions. The company sends workers to client companies and receives dispatching fees for each person sent. The company pays worker salaries from these fees. Other businesses include the operation of nursing care facilities. Nisso listed on the Prime Section of the Tokyo Stock Exchange in March 2018. The company established Nisso Holdings Co., Ltd. in October 2023 and transitioned to a holding company structure.

Nisso (parent) constitutes 88.9% of consolidated revenue (FY03/23). By client industry, the automotive industry accounted for 45.0% of revenue, electronic devices 30.4%, precision and electrical machinery 11.4%, and others 13.2%. Nisso has around 700 client companies. Key clients include one large manufacturing group each in the automotive, electrical equipment, electronic components, and precision machinery industries. Nisso is in a continuous dialogue with its clients about their medium- to long-term strategic fixed costs (mainly personnel expenses), adapting to their growing outsourcing requirements. Nisso says its ability to elicit structural demand for outsourcing drives medium-term growth. The company notes, however, that clients' fluctuating production levels affect short-term revenue.

Nisso's revenue per person rose from JPY396,000/month in FY03/21 to JPY415,000/month in FY03/22 and JPY426,000 in FY03/23. The company adds value to personnel through education and training, and average unit billings have grown commensurately. Nisso's number of registered workers ("enrolled workers" in company materials) has risen, from 13,146 in FY03/21 to 14,945 in FY03/22 and 15,998 in FY03/23, and higher unit prices have driven revenue growth.

At end-FY03/23, Nisso had 15,998 registered workers (+7.0% YoY), of whom skilled staff (indefinite-term employees who have received education and training) and engineers accounted for about 40%. The general practice is for HR dispatching companies to sign fixed-term agreements with workers, who receive salaries (variable expenses). Nisso follows this practice for around half of employees (who are on fixed-term agreements) but is increasing the number of skilled staff on indefinite-term agreements. The company cultivates skilled staff by providing education and training in areas that client companies typically offered in the past (such as facility maintenance and main production line work). Engineers generate monthly revenue around 20% higher than general registered workers, at JPY518,000/month. This focus is in keeping with the company philosophy of "nurturing and bringing out the best in people," and workers who can handle new areas of responsibility command higher unit prices.

Nisso's cost of revenue ratio is 83.4% (FY03/23), and labor costs as a percentage of revenue were 80.1% (FY03/22). Traditionally, most workers were fixed-term employees, so labor costs were variable. In recent years, however, the company has focused strategically on raising the number of skilled, indefinite-term employees. Shared Research understands that the proportion of fixed costs has increased accordingly. Most SG&A expenses go toward employees in sales and administrative sections. Variable factors include applicant recruitment expenses. Recruitment expenses tend to rise during labor shortages and fall when demand decreases. To lower recruitment expenses over the medium term, the company is focused on utilizing more skilled staff, who have low turnover rates.

Earnings trends

In FY03/23, revenue was JPY90.8bn (+17.1% YoY), operating profit was JPY2.3bn (+8.7% YoY), and net income attributable to owners of the parent was JPY1.6bn (-4.4% YoY). At end-FY03/23, Nisso had 15,988 registered workers, up 1,053 YoY. Demand for human resources was strong, and efforts to curb attrition were successful, resulting in a steady increase in registered workers. Revenue per person was JPY426,000/month, rising JPY11,000 YoY amid growth in the number of registered workers, an increase in unit billings, and a gradual recovery in personnel utilization in the automotive sector.

For FY03/24, the company's revised forecast calls for revenue of JPY97.0bn (+6.8% YoY), operating profit of JPY2.8bn (+23.5% YoY), and net income attributable to owners of the parent of JPY1.8bn (+11.0% YoY). In the automotive sector, despite manufacturers' operational shutdowns, improving parts shortages is expected to keep demand strong. Although the recovery has been slower than initially anticipated in the semiconductor memory sector, the sector is expected to improve starting from Q4. Demand for PCs and telecommunications equipment parts is also likely to increase gradually, following the recovery in the semiconductor sector.

In FY03/25, the company forecasts JPY115.0bn in revenue, JPY6.7bn in operating profit, and 5.8% in operating profit margin in the new medium-term management plan (announced August 8, 2022) following the rollover. This is in effect pushing back the FY03/24 forecasts for revenue, operating profit, and operating profit margin in the previous medium-term management plan (announced May 12, 2021) by one year. The company aims for three-year CAGR to exceed the industry standard, ROE to reach at least 20%, financial leverage to be 2.5 times or lower, and for a payout ratio of 30% or higher.

Strengths and weaknesses

Strengths:

1) The ability to work with clients in opening up to outsourcing production categories previously handled by directly employed workers
2) A history and track record that attract job seekers
3) An expanded education and training system in line with the founding philosophy of "nurturing and bringing out the best in people"

Weaknesses:

1) Slow to cultivate business in growth areas such as services and IT
2) Problems with maintaining employment mean education benefits exit the company
3) Business sphere shrinking as AI and robotics reduce the need for people at factories

Please see the "Strengths and weaknesses" section for details.

Key financial data

Income statement	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
(JPYmn)	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Revenue	**53,533**	**59,208**	**69,161**	**74,966**	**68,213**	**77,549**	**90,827**	**97,000**
YoY	13.1%	10.6%	16.8%	8.4%	-9.0%	13.7%	17.1%	6.8%
Gross profit	**8,961**	**10,374**	**12,239**	**13,115**	**11,787**	**12,950**	**14,554**	**-**
YoY	-	15.8%	18.0%	7.2%	-10.1%	9.9%	12.4%	-
Gross profit margin	16.7%	17.5%	17.7%	17.5%	17.3%	16.7%	16.0%	-
SG&A expenses	**8,100**	**8,573**	**9,370**	**10,054**	**9,188**	**10,863**	**12,286**	**-**
YoY	-	5.8%	9.3%	7.3%	-8.6%	18.2%	13.1%	-
SG&A ratio	15.1%	14.5%	13.5%	13.4%	13.5%	14.0%	13.5%	-
Operating profit	**860**	**1,801**	**2,869**	**3,061**	**2,599**	**2,087**	**2,268**	**2,800**
YoY	-	109.3%	59.3%	6.7%	-15.1%	-19.7%	8.7%	23.5%
Operating profit margin	1.6%	3.0%	4.1%	4.1%	3.8%	2.7%	2.5%	2.9%
Recurring profit	**833**	**1,782**	**2,895**	**3,149**	**2,949**	**2,369**	**2,349**	**2,800**
YoY	-5.8%	113.8%	62.5%	8.8%	-6.4%	-19.7%	-0.8%	19.2%
Recurring profit margin	1.6%	3.0%	4.2%	4.2%	4.3%	3.1%	2.6%	2.9%
Net income	**491**	**1,015**	**2,053**	**2,033**	**1,592**	**1,696**	**1,622**	**1,800**
YoY	6.8%	106.6%	102.3%	-1.0%	-21.7%	6.5%	-4.4%	11.0%
Net margin	0.9%	1.7%	3.0%	2.7%	2.3%	2.2%	1.8%	1.9%
Per-share data (split-adjusted; JPY)								
Shares outstanding(excluding treasury shares, '000)	6,630	35,165	33,561	34,201	34,320	34,331	34,353	-
EPS (JPY)	18.5	37.9	61.6	60.5	47.1	49.9	47.7	53.1
EPS (fully diluted; JPY)	-	34.5	60.1	59.9	46.9	49.9	47.7	-
Dividend per share (JPY)	-	10.5	18.5	25.0	20.1	18.0	16.0	20.5
Book value per share (JPY)	173.5	281.0	314.2	351.8	375.9	399.0	435.2	-
Balance sheet(JPYmn)								
Cash and cash equivalents	3,772	5,738	6,194	6,927	6,439	9,429	10,455	
Total current assets	**10,464**	**12,753**	**14,174**	**15,622**	**14,813**	**19,068**	**21,747**	
Tangible fixed assets	5,063	4,994	4,942	4,754	4,654	4,578	4,660	
Investments and other assets	1,565	1,743	1,544	1,741	1,859	2,149	2,169	
Intangible assets	318	380	359	377	305	1,667	1,514	
Total assets	**17,410**	**19,870**	**21,019**	**22,494**	**21,631**	**27,462**	**30,092**	
Short-term debt	3,372	502	183	126	-	501	492	
Total current liabilities	**9,035**	**8,207**	**9,161**	**9,279**	**8,178**	**10,411**	**12,187**	
Long-term debt	3,532	2,104	896	691	12	2,510	2,024	
Total fixed liabilities	**3,774**	**2,346**	**1,314**	**1,320**	**690**	**3,492**	**3,097**	
Total liabilities	**12,809**	**10,553**	**10,475**	**10,599**	**8,868**	**13,903**	**15,284**	
Shareholders' equity	4,602	9,318	10,544	11,895	12,763	13,559	14,568	
Total net assets	**4,602**	**9,318**	**10,544**	**11,895**	**12,763**	**13,559**	**14,807**	
Total interest-bearing debt	6,904	2,606	1,079	817	12	3,011	2,516	
Cash flow statement(JPYmn)								
Cash flows from operating activities	1,303	2,752	2,565	1,922	1,672	2,273	2,285	
Cash flows from investing activities	236	-102	-	-289	-496	-1,538	-146	
Cash flows from financing activities	255	-735	-2,215	-901	-1,668	2,164	-1,112	
Financial ratios								
ROA (RP-based)	5.0%	9.6%	14.2%	14.5%	13.4%	9.7%	8.2%	
ROE	11.1%	14.6%	20.7%	18.1%	12.9%	12.9%	11.5%	
Equity ratio	26.4%	46.9%	50.2%	52.9%	59.0%	49.4%	48.4%	

Source: Shared Research based on company data

Notes: *The company conducted a 10-for-1 stock split on common shares on October 16, 2017, a two-for-one split on February 1, 2018, a two-for-one split on August 22, 2018, and a two-for-one split on May 1, 2019.

*The company was established on October 2, 2023, through a share transfer. The YoY change for the FY03/24 forecast is a reference value.

Recent updates

Full-year FY03/24 earnings forecast revised

2024-02-06

Nisso Holdings Co., Ltd. revised its full-year forecast, which was announced on October 2, 2023.

- Revenue: JPY97.0bn (previous forecast: JPY100.0bn)
- Operating profit: JPY2.8bn (JPY3.6bn)
- Recurring profit: JPY2.8bn (JPY3.6bn)
- Net income attributable to owners of the parent: JPY1.8bn (JPY2.3bn)
- EPS: JPY53.09 (JPY67.60)

Reasons for the revision

Production recovery in the semiconductor industry (semiconductor manufacturing) and the electronics industry (electronic equipment manufacturing) is lagging behind initial expectations. Moreover, in the automotive industry (car manufacturing and EV-related manufacturing), revenue is forecasted to fall below plans due to repeated operation suspensions at body manufacturers. Additionally, due to the deterioration of the cost-revenue ratio with declining revenue, operating profit, recurring profit, and net income are expected to fall short of the initial plan. Consequently, the company revised its full-year earnings forecast.

Company to dissolve and liquidate joint venture in China

2024-01-19

On January 19, 2024, Nisso Holdings Co., Ltd. announced that its board of directors had passed a resolution to dissolve and liquidate Shanghai Nisso Human Resources Co., Ltd., an equity-method affiliate of consolidated subsidiary Nisso Corporation.

Shanghai Nisso Human Resources—a joint venture established in November 2003 between Nisso Corporation and Shanghai Pudong Personnel Development Co., Ltd.—offered staffing and HR consulting services. The company has provided staffing services to Japanese companies in and around Shanghai. However, considering future market conditions and other factors, the company has determined that substantially improving performance would be difficult. Thus, it has decided to dissolve and liquidate Shanghai Nisso Human Resources upon the expiration of the joint venture contract.

Overview of Shanghai Nisso Human Resources Co., Ltd.

- Location: Shanghai, People's Republic of China
- Business Description: Personnel recruitment, staffing, HR and labor consulting
- Major shareholders and their ownership ratios: Shanghai Pudong Human Resources Development Co., Ltd. (51%), Nisso Corporation (49%, Nisso Corporation: a 100% subsidiary of Nisso Holdings Co., Ltd.)
- Revenue: CNY906,503
- Operating loss: CNY54,580
- Net loss: CNY49,519
- Net assets: -CNY624,088

Outlook

The impact on the company's consolidated performance for FY03/24 is minimal. The company will promptly disclose any matters that should be disclosed in the future.

Trends and outlook

Quarterly trends and results

Cons.	FY03/22				FY03/23				FY03/24			FY03/24	
Cumulative (JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	% of Est.	FY Est.
Revenue	18,045	36,694	56,977	77,549	20,501	43,162	67,201	90,827	23,660	47,381	72,534	74.8%	97,000
YoY	9.0%	11.3%	13.0%	13.7%	13.6%	17.6%	17.9%	17.1%	15.4%	9.8%	7.9%		6.8%
Cost of revenue	15,007	30,659	47,484	64,599	17,387	36,575	56,625	76,273	19,938	39,961	60,760		
YoY	5.7%	10.0%	13.0%	14.5%	15.9%	19.3%	19.3%	18.1%	14.7%	9.3%	7.3%		
Gross profit	3,038	6,035	9,493	12,950	3,114	6,587	10,576	14,554	3,722	7,420	11,774		
YoY	28.7%	18.5%	12.6%	9.9%	2.5%	9.1%	11.4%	12.4%	19.5%	12.6%	11.3%		
Gross profit margin	16.8%	16.4%	16.7%	16.7%	15.2%	15.3%	15.7%	16.0%	15.7%	15.7%	16.2%		
SG&A expenses	2,568	5,211	8,086	10,863	2,854	6,077	9,177	12,286	3,221	6,455	9,726		
YoY	19.2%	19.5%	19.7%	18.2%	11.1%	16.6%	13.5%	13.1%	12.9%	6.2%	6.0%		
SG&A ratio	14.2%	14.2%	14.2%	14.0%	13.9%	14.1%	13.7%	13.5%	13.6%	13.6%	13.4%		
Operating profit	470	824	1,406	2,087	259	510	1,398	2,268	500	965	2,048	73.1%	2,800
YoY	128.2%	12.7%	-16.2%	-19.7%	-44.9%	-38.1%	-0.6%	8.7%	92.9%	89.2%	46.5%		23.5%
Operating profit margin	2.6%	2.2%	2.5%	2.7%	1.3%	1.2%	2.1%	2.5%	2.1%	2.0%	2.8%		2.9%
Recurring profit	524	908	1,595	2,369	313	582	1,501	2,349	511	998	2,129	76.0%	2,800
YoY	120.2%	-8.2%	-20.4%	-19.7%	-40.3%	-35.9%	-5.9%	-0.8%	62.9%	71.5%	41.8%		19.2%
Recurring profit margin	2.9%	2.5%	2.8%	3.1%	1.5%	1.3%	2.2%	2.6%	2.2%	2.1%	2.9%		2.9%
Net income	345	587	1,036	1,696	182	347	937	1,622	316	625	1,395	77.5%	1,800
YoY	241.6%	-1.5%	-19.3%	6.5%	-47.2%	-40.9%	-9.6%	-4.4%	73.8%	80.1%	48.9%		11.0%
Net margin	1.9%	1.6%	1.8%	2.2%	0.9%	0.8%	1.4%	1.8%	1.3%	1.3%	1.9%		1.9%

Cons.	FY03/22				FY03/23				FY03/24		
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	18,045	18,649	20,283	20,572	20,501	22,661	24,039	23,626	23,660	23,721	25,153
YoY	9.0%	13.6%	16.1%	15.8%	13.6%	21.5%	18.5%	14.8%	15.4%	4.7%	4.6%
Cost of revenue	15,007	15,652	16,825	17,115	17,387	19,188	20,050	19,648	19,938	20,023	20,799
YoY	5.7%	14.4%	19.1%	18.7%	15.9%	22.6%	19.2%	14.8%	14.7%	4.4%	3.7%
Gross profit	3,038	2,997	3,458	3,457	3,114	3,473	3,989	3,978	3,722	3,698	4,354
YoY	28.7%	9.7%	3.5%	3.1%	2.5%	15.9%	15.4%	15.1%	19.5%	6.5%	9.2%
Gross profit margin	16.8%	16.1%	17.0%	16.8%	15.2%	15.3%	16.6%	16.8%	15.7%	15.6%	17.3%
SG&A expenses	2,568	2,643	2,875	2,777	2,854	3,223	3,100	3,109	3,221	3,234	3,271
YoY	19.2%	19.7%	20.2%	14.1%	11.1%	21.9%	7.8%	12.0%	12.9%	0.3%	5.5%
SG&A ratio	14.2%	14.2%	14.2%	13.5%	13.9%	14.2%	12.9%	13.2%	13.6%	13.6%	13.0%
Operating profit	470	354	582	681	259	251	888	870	500	465	1,083
YoY	128.2%	-32.6%	-38.5%	-26.1%	-44.9%	-29.1%	52.6%	27.8%	93.1%	85.3%	22.0%
Operating profit margin	2.6%	1.9%	2.9%	3.3%	1.3%	1.1%	3.7%	3.7%	2.1%	2.0%	4.3%
Recurring profit	524	384	687	774	313	269	919	848	511	487	1,131
YoY	120.2%	-48.9%	-32.4%	-18.0%	-40.3%	-29.9%	33.8%	9.6%	63.3%	81.0%	23.1%
Recurring profit margin	2.9%	2.1%	3.4%	3.8%	1.5%	1.2%	3.8%	3.6%	2.2%	2.1%	4.5%
Net income	345	242	449	660	182	165	590	685	316	309	770
YoY	241.6%	-51.1%	-34.7%	114.3%	-47.2%	-31.8%	31.4%	3.8%	73.6%	87.3%	30.5%
Net margin	1.9%	1.3%	2.2%	3.2%	0.9%	0.7%	2.5%	2.9%	1.3%	1.3%	3.1%

Source: Shared Research based on company data

Note: The company was established on October 2, 2023, through a share transfer. The YoY change for the FY03/24 forecast is a reference value.

By segment	FY03/22				FY03/23				FY03/24		
Cumulative (JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3
Revenue	18,045	36,694	56,977	77,549	20,501	43,162	67,201	90,827	23,660	47,381	72,534
YoY	9.0%	11.3%	13.0%	13.7%	13.6%	17.6%	17.9%	17.1%	15.4%	9.8%	7.9%
General HR Services business	17,305	35,200	54,742	74,594	19,767	41,665	64,946	87,817	22,898	45,859	70,251
YoY	9.3%	11.7%	13.5%	14.3%	14.2%	18.4%	18.6%	17.7%	15.8%	10.1%	8.2%
% of total	95.9%	95.9%	96.1%	96.2%	96.4%	96.5%	96.6%	96.7%	96.8%	96.8%	96.9%
Manufacturing and production HR services(Nisso and Vector Shinwa)	15,442	31,435	48,847	66,412	17,346	35,333	54,400	73,091	18,770	37,707	57,719
YoY					12.3%	12.4%	11.4%	10.1%	8.2%	6.7%	6.1%
% of total	89.2%	89.3%	89.2%	89.0%	87.8%	84.8%	83.8%	83.2%	82.0%	82.2%	82.2%
Revenue per employee(JPY'000) /month(disclosed)	402	402	408	411	407	413	421	422	427	428	434
YoY					1.2%	2.7%	3.2%	2.7%	4.9%	3.6%	3.1%
Registrants at year-end	12,995	13,324	13,820	13,926	14,118	14,400	14,677	14,586	14,761	14,761	14,963
Engineer HR services(Nisso and Vector Shinwa)	1,242	2,545	4,015	5,670	1,814	3,986	6,331	8,627	2,174	4,317	6,638
YoY					46.1%	56.6%	57.7%	52.2%	19.8%	8.3%	4.8%
% of total	7.2%	7.2%	7.3%	7.6%	9.2%	9.6%	9.7%	9.8%	9.5%	9.4%	9.4%
Revenue per employee(JPY'000) /month(disclosed)	523	509	512	514	514	524	524	518	485	485	496
Registrants at year-end	861	901	982	1,105	1,239	1,426	1,542	1,517	1,470	1,479	1,505
Admin HR services(Nisso Brain)	607	1,197	1,835	2,447	586	1,149	1,715	2,279	544	1,076	1,630
YoY					-3.5%	-4.0%	-6.5%	-6.9%	-7.2%	-6.4%	-5.0%
% of total	3.5%	3.4%	3.4%	3.3%	3.0%	2.8%	2.6%	2.6%	2.4%	2.3%	2.3%
Other HR services(Nisso Pure)	13	23	43	64	20	1,199	2,498	3,819	1,408	2,757	4,262
YoY	-	-	-		49.3%	5362.8%	5565.6%	5834.6%	6829.7%	129.9%	70.6%
% of total	0.1%	0.1%	0.1%	0.1%	0.1%	2.9%	3.8%	4.3%	6.1%	6.0%	6.1%
Adjustments											
Other businesses(Nursing care/welfare: Nisso Nifty)	742	1,494	2,240	2,963	737	1,503	2,271	3,031	765	1,531	2,283
YoY	3.1%	2.3%	0.9%	-0.3%	-0.7%	0.6%	1.4%	2.3%	3.8%	1.9%	0.5%
% of total	4.1%	4.1%	3.9%	3.8%	3.6%	3.5%	3.4%	3.3%	3.2%	3.2%	3.1%
Operating profit	470	824	1,406	2,087	259	510	1,398	2,268	500	965	2,048
YoY	128.2%	12.7%	-16.2%	-19.7%	-44.9%	-38.1%	-0.6%	8.7%	93.1%	89.2%	46.5%
Operating profit margin	2.6%	2.2%	2.5%	2.7%	1.3%	1.2%	2.1%	2.5%	2.1%	2.0%	2.8%
General HR Services business	452	805	1,373	2,052	254	492	1,360	2,222	471	923	-
YoY	100.9%	4.4%	-19.3%	-20.4%	-43.8%	-38.9%	-0.9%	8.3%	85.4%	87.6%	-
Operating profit margin	2.6%	2.3%	2.5%	2.8%	1.3%	1.2%	2.1%	2.5%	2.1%	2.0%	-
% of total	96.2%	97.7%	97.7%	98.3%	98.1%	96.5%	97.3%	98.0%	94.2%	95.6%	-
Other businesses(Nursing care/welfare: Nisso Nifty)	18	20	35	36	5	18	40	48	30	44	-
YoY	-	-	-	56.5%	-72.2%	-7.2%	14.0%	31.9%	470.8%	-7.2%	-
Operating profit margin	2.4%	1.3%	1.6%	1.2%	0.7%	1.2%	1.8%	1.6%	3.9%	2.9%	-
% of total	3.8%	2.4%	2.5%	1.7%	1.9%	3.5%	2.9%	2.1%	6.0%	4.6%	-

Adjustments	-	-1	-2	-1	-	-	-2	-2	-1	-2	-
By segment	**FY03/22**				**FY03/23**				**FY03/24**		
Quarterly (JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Revenue	18,045	18,649	20,283	20,572	20,501	22,661	24,039	23,626	23,660	23,721	25,153
YoY	9.0%	13.6%	16.1%	15.8%	13.6%	21.5%	18.5%	14.8%	15.4%	4.7%	4.6%
General HR Services business	17,305	17,895	19,542	19,852	19,767	21,898	23,281	22,871	22,898	22,961	24,392
YoY	9.3%	14.2%	16.9%	16.6%	14.2%	22.4%	19.1%	15.2%	15.8%	4.9%	4.8%
Manufacturing and production HR services(Nisso and Vector Shinwa)	15,442	15,993	17,412	17,565	17,346	17,987	19,067	18,691	18,770	18,937	20,012
YoY	-	-	-	-	12.3%	12.5%	9.5%	6.4%	8.2%	5.3%	5.0%
Engineer HR services(Nisso and Vector Shinwa)	1,242	1,303	1,470	1,655	1,814	2,172	2,345	2,296	2,174	2,143	2,321
YoY	-	-	-	-	46.1%	66.7%	59.5%	38.7%	19.8%	-1.3%	-1.0%
Admin HR services(Nisso Brain)	607	590	638	612	586	563	566	564	544	532	554
YoY	-	-	-	-	-3.5%	-4.6%	-11.3%	-7.8%	-7.2%	-5.5%	-2.1%
Other HR services(Nisso Pure)	13	10	20	30	20	1,179	1,299	1,321	1,408	1,349	1,505
YoY	-	-	-	-	53.8%	-	6395.0%	4303.3%	6940.0%	-	15.9%
Other businesses	742	752	746	723	737	766	768	760	765	766	752
YoY	3.1%	1.5%	-1.7%	-3.9%	-0.7%	1.9%	2.9%	5.1%	3.8%	0.0%	-2.1%
Operating profit	470	354	582	681	259	251	888	870	500	465	1,083
YoY	128.2%	-32.6%	-38.5%	-26.1%	-44.9%	-29.1%	52.6%	27.8%	93.1%	85.3%	22.0%
Operating profit margin	2.6%	1.9%	2.9%	3.3%	1.3%	1.1%	3.7%	3.7%	2.1%	2.0%	4.3%
General HR Services business	452	353	568	679	254	238	868	862	471	452	-
YoY	100.9%	-35.3%	-39.0%	-22.5%	-43.8%	-32.6%	52.8%	27.0%	85.4%	89.9%	-
Operating profit margin	2.6%	2.0%	2.9%	3.4%	1.3%	1.1%	3.7%	3.8%	2.1%	2.0%	-
Other businesses	18	2	15	1	5	13	22	8	30	14	-
YoY	-	-	-16.7%	-97.7%	-72.2%	550.0%	46.7%	700.0%	500.0%	7.7%	-
Operating profit margin	2.4%	0.3%	2.0%	0.1%	0.7%	1.7%	2.9%	1.1%	3.9%	1.8%	-
Adjustments	-	-1	-1	1	-	-	-2	-	-1	-1	-

Source: Shared Research based on company data

Note: The company was established on October 2, 2023, through a share transfer. The YoY change for the FY03/24 forecast is a reference value.

Seasonality: Many Japanese manufacturers operate on fewer days in May (Q1), August (Q2), and January (Q4) compared to other months due to consecutive holidays. Accordingly, Nisso's revenue tends to be higher in Q3 than other quarters.

Cumulative Q3 FY03/24 results

Overview

- Revenue: JPY72.5bn (+7.9% YoY; achievement versus revised full-year company forecast: 74.8%)
- Operating profit: JPY2.0bn (+46.5% YoY; 73.1%)
- Recurring profit: JPY2.1bn (+41.8% YoY; 76.0%)
- Net income attributable to owners of the parent: JPY1.4bn (+48.9% YoY; 77.5%)

The company transitioned to a holding company structure on October 2, 2023. The following discussion about cumulative Q3 is the results for Nisso Corporation, which has been delisted.

Consolidated revenue in cumulative Q3 increased steadily by JPY5.3bn (+7.9% YoY) to JPY72.5bn. The breakdown of the revenue rise is as follows: revenue in the General HR Services business grew JPY5.3bn (+8.2% YoY), and Other businesses grew JPY12mn (0.5%). The revenue increase in the General HR Services business is due to a higher number of registered workers and an increase in revenue per person per month (monthly average at the parent company). In particular, negotiations with customers led to an approximately 3% YoY increase in the value of each order, contributing to higher revenue. The consolidated gross profit margin was up 0.5pp from 15.7% in cumulative Q3 FY03/23 to 16.2%.

In the General HR Services business, the impact of the COVID-19 pandemic lessened, but in the semiconductor industry (semiconductors and semiconductor manufacturing equipment), recovery continued to be delayed in the manufacturing equipment and semiconductor memory sectors. Moreover, in the automotive industry, due to production suspensions caused by issues at some manufacturers, the monthly operating hours per person remained nearly at the same level YoY, leading to overall revenue falling below the initial projections.

Consolidated gross profit in cumulative Q3 hit JPY11.8bn, up JPY1.2bn (+11.3% YoY). By segment, the General HR Services business generated JPY11.5bn (+11.4% YoY), while nursing care and welfare services contributed JPY253mn (+9.7% YoY). Coupled with revenue growth, effective cost control and efficient allocation of expenses led to a lower SG&A ratio of 13.4% (-0.3pp YoY). As a result, consolidated operating profit rose to JPY2.0bn, up JPY650mn (+46.5% YoY), with the OPM improving to 2.8% (+0.7pp).

At its Q3 earnings announcement, the company disclosed revisions to its full-year earnings forecast. The adjustments account for slower production recovery in the semiconductor and electronics industries and automotive industry operations failing to meet initial projections. The company lowered projections for revenue and gross profit margin, as well as for operating profit and all subsequent profit levels.

Segment breakdown

General HR Services business

- Consolidated revenue: JPY70.3bn (+8.2% YoY)
- Consolidated gross profit: JPY11.5mn (+11.4% YoY)

The company transitioned to a holding company structure in October 2023. In the General HR Services business, Nisso Corporation and Vector Shinwa Co., Ltd. provide manufacturing and production HR services as well as Engineer HR services. Nisso Brain Co. Ltd. offers administrative HR services. Nikon Nisso Prime Corporation and Nisso Pure Co., Ltd. are engaged in other personnel services.

Revenue in the General HR Services business increased JPY5.3bn YoY to JPY70.3bn. The breakdown of the JPY5.3bn rise reflects a JPY3.3bn increase in manufacturing and production HR services, a JPY307mn increase in engineer HR services, a JPY85mn decrease in administrative HR services, and a JPY1.8bn increase in other HR services. The growth of manufacturing and production staffing services, driven by more registered personnel and the rising value of each order, contributed to the revenue increase in this segment.

In the General HR Services business, the company trained a total of 15,637 individuals, including 1,057 engineering personnel. The company has built its unique "personnel development model." It opened a training facility equipped with actual semiconductor manufacturing devices, where it conducts training through practical education programs tailored to customer needs. Providing personnel trained in advanced off-the-job training has earned high customer praise, serving as a key differentiator for the company's services.

Manufacturing and production HR services

In manufacturing and production HR services, the company mainly dispatches workers to the manufacturing sector and conducts contract manufacturing. As of end-December 2023, registered workers stood at 14,963, up 286 YoY. Due to efforts to enhance various education programs and communication, the monthly turnover rate was 3.8% (flat YoY). Due to the production recovery at customers in the automotive industry (including automobile manufacturing and EV-related manufacturing industries), the operating hours of manufacturing staff increased, leading to an average monthly revenue per person of JPY435,000 (+3.2% YoY).

Shifting from "account strategy" to "industry strategy"
In Q1 FY03/24, the company changed its classification for parent revenue disclosure. Earlier, revenue was reported in "automotive, electronic devices, precision and electrical machinery, and other"; these categories have been renamed as "automotive industry, semiconductor industry, electronics industry, and other." The automotive industry represents the automotive manufacturing and EV-related manufacturing industries, the semiconductor industry the semiconductor manufacturing industry, and the electronics industry the electronic equipment manufacturing industry. Earlier, the company had employed an "account strategy" focusing on the needs of individual customers. However, as industry structures rapidly change amid technological innovation and environmental issues, the company believes it needs to proactively respond to new customer needs by developing specialized human resources for each industry. With this shift of focus, the company hopes to widen the scope of its business and expand its customer base.

- **Automotive industry (automobile and EV-related manufacturing industry)**

Revenue was JPY30.3bn, up JPY4.4bn (17.2%) YoY. In the automotive Industry, the impact of parts shortages was resolved, leading to a recovery in staffing needs. However, due to the impact of production halts by manufacturers, revenue in cumulative Q3 fell below the company's expectations. Typhoons, earthquakes, system troubles, and specific circumstances leading to production line suspensions have resulted in reduced operational hours for manufacturing staff. According to the company, the impact of a temporary drop in operational rates in the automotive industry will also be felt in Q4. Thus, a full recovery is expected to begin in FY03/25.

Automotive manufacturers are increasingly focusing on EV batteries. Nisso aims to differentiate itself from competitors by prioritizing EV battery-related initiatives. In March 2024, it opened the Nisso EV Technical Center Kansai in Shiga Prefecture, its 10th location in Japan. This facility specializes in developing personnel for the battery storage industry through targeted educational training. Looking ahead, domestic automotive manufacturers plan to ramp up battery production, including EV batteries, with significant battery-related projects expected to emerge in the latter half of 2025 (and go into full steam in 2026–2027). The company plans to leverage the EV Technical Center as a facility to develop personnel tailored to the needs of the automotive industry's battery projects.

In November 2023, the company joined the Kansai Battery Talent Development Consortium, initiated by the Kinki Bureau of Economy, Trade, and Industry. The consortium aims to train and secure about 30,000 battery-related personnel by 2030, aiming to create a domestic manufacturing base for batteries and materials with a capacity of 150GWh. The company sees its ability to provide high-quality and swift personnel services as pivotal in addressing challenges within this sector, positioning it as a medium-term growth field.

- **Semiconductor industry**

Revenue fell to JPY9.3bn, down JPY1.3bn (-12.3% YopY). The company had initially expected the semiconductor industry to show signs of recovery starting in 2H. However, in Q3, the adjustment of memory inventories and a reduction in the production of front-end semiconductor manufacturing equipment resulted in lower utilization rates for engineering personnel, with manufacturing equipment and semiconductor memory performing poorly. Although the recovery has been delayed by about a quarter from initial expectations, some semiconductor manufacturers have begun to show solid performance as of Q4.

The company caters to Japan Advanced Semiconductor Manufacturing (JASM) and others in semiconductor production in Kyushu. Both companies plan to launch their second factories by 2027. The company has opened a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture and plans to open an expanded facility in April 2024. While incorporating clients' training expertise, the company verifies outputs and builds curricula tailored to client needs.

- **Electronics industry**

Revenue dropped to JPY7.2bn, down JPY555mn (-7.1% YoY). Although performance across telecommunications equipment and related sectors was generally subdued, signs of recovery are emerging in some areas. The electronics industry, particularly automotive, is closely linked to semiconductors used in communication devices and thus significantly affected by demand trends in these sectors. According to the company, cumulative Q3 saw continued weakness in communication devices, including smartphones. However, there has been an increase in demand in the automotive sector due to advances in electrification. The number of registrants in this area has started to increase, and the company expects a gradual recovery moving forward.

Engineer HR services (the company, Vector Shinwa)

In engineer HR services, the company provides engineer dispatch services, primarily to manufacturing companies, and system engineering services (SES) to expand into high-margin areas. Consolidated revenue was JPY6.6bn (+4.8% YoY, versus -1.0% in Q3 {October–December 2023}). Revenue continued to decline slightly YoY, but with a reduction of 1.3% YoY in Q2, the decrease has been mitigated, and the company sees signs of recovery.

Starting in Q3, removing overtime restrictions at chip memory factories improved the average monthly revenue per person. In Q3 (October–December 2023), the average monthly revenue per person was JPY496,000. Despite a YoY decline of JPY28,000, it experienced an uptick of JPY11,000 QoQ. The Q3 turnover at the parent stayed low at 2.1%, on a similar level YoY.

Registered workers stood at 1,505, down 37 YoY. Despite a downward trend since end-2023, Q3 showed signs of a turnaround with an increase of 26 workers QoQ. This uptick, especially in Q3, was primarily driven by deploying personnel to new semiconductor clients in the Kumamoto area, aiding in the recovery of registrants.

Administrative HR services (Nisso Brain)

In administrative HR services, the company provides general administrative dispatch and BPO services. Consolidated revenue was down 5.0% YoY to JPY1.6bn. The number of registered staff in this category was 552, down 75 YoY. For FY03/25, the company plans to focus more on providing human resources in high-margin fields than general administrative areas, including foreign talents. It is also committed to promoting diversity and encouraging active participation of people with disabilities and elderly individuals.

Other personnel services (Nikon Nisso Prime and Nisso Pure)

In other personnel services, the company operates in staffing for senior employees and light work subcontracting for disabled individuals. Consolidated revenue soared 70.6% YoY to JPY4.3bn. The revenue boost from 1H FY03/23 resulted from integrating Nikon Nisso Prime Corporation as a subsidiary. As of cumulative Q3, the company had 671 senior employees at Nikon Nisso Prime and 224 employees with disabilities.

Number of registered workers

As of end-December 2023, the number of registered workers by the type of service were 14,963 (+1.9% YoY) in manufacturing and production HR services, 1,505 in engineer HR services (-2.4% YoY), and 552 in administrative HR services (-12.0% YoY).

Human resource development

In cumulative Q3, the company trained a total of 15,637 individuals in General HR Services, including 1,057 engineers. The company provided education for 148 participants in external employee training programs commissioned by various clients in the semiconductor industry. These programs successfully met external customers' standards and provided education content tailored to their needs.

Revenue per person (monthly average)

Revenue per person was JPY434,000/month (+JPY13,000 YoY) for manufacturing and production HR services and JPY496,000/month for engineer HR services (-JPY28,000/month YoY).

Nursing care/welfare services

- Revenue: JPY2.3bn (+0.5% YoY)
- Gross profit: JPY253mn (+9.7% YoY)

In the nursing care and welfare services sector, the company operates facility- and home-based nursing care. Revenue rose 0.5% YoY. The facility nursing care business runs six paid nursing homes in Yokohama, Kanagawa Prefecture, delivering high-quality services with a high occupancy rate. In cumulative Q3, the company increased sales opportunities and worked on boosting the number of residents by utilizing web tours, among other strategies. The number of residents in nursing care facilities reached 377, up two YoY. Moreover, continuous training of nursing care staff led to improved service quality, raising the overall occupancy rate to 93.8% (+0.5% YoY) and maintaining it above 90%. In home-based nursing care, the company has expanded its operations with one nursing care station in Yokohama, two in Iwaki, Fukushima Prefecture, and two day-service nursing care facilities in Iwaki.

In December 2023, the company signed a basic agreement with the Kanagawa Prefectural Government for a project related to improving pre-symptomatic conditions. In collaboration with the prefecture, the company will develop model facilities to engage in functional recovery training and other activities to prevent the onset of conditions requiring care.

FY03/24 company forecast

Numerical targets

	FY03/22			FY03/23			FY03/24		
(JPYmn)	1H results	2H results	FY results	1H results	2H results	FY results	1H results	2H forecast	FY Est.
Revenue	**36,694**	**40,855**	**77,549**	**43,162**	**47,665**	**90,827**	**47,381**	**49,619**	**97,000**
YoY	11.3%	15.9%	13.7%	17.6%	16.7%	17.1%	9.8%	4.1%	6.8%
Gross profit	**6,035**	**6,915**	**12,950**	**6,587**	**7,967**	**14,554**	**7,420**	**-7,420**	**-**
YoY	18.5%	3.3%	9.9%	9.1%	15.2%	12.4%	12.6%	-	-
Gross profit margin	16.4%	16.9%	16.7%	15.3%	16.7%	16.0%	15.7%	-15.0%	-
SG&A expenses	5,211	5,652	10,863	6,077	6,209	12,286	6,455	-6,455	-
YoY	19.5%	17.1%	18.2%	16.6%	9.9%	13.1%	6.2%	-	-
SG&A ratio	14.2%	13.8%	14.0%	14.1%	13.0%	13.5%	13.6%	-13.0%	-
Operating profit	**824**	**1,263**	**2,087**	**510**	**1,758**	**2,268**	**965**	**1,835**	**2,800**
YoY	12.7%	-32.4%	-19.7%	-38.1%	39.2%	8.7%	89.2%	4.4%	23.5%
Operating profit margin	2.2%	3.1%	2.7%	1.2%	3.7%	2.5%	2.0%	3.7%	2.9%
Recurring profit	**908**	**1,461**	**2,369**	**582**	**1,767**	**2,349**	**998**	**1,802**	**2,800**
YoY	-8.2%	-25.5%	-19.7%	-35.9%	20.9%	-0.8%	71.5%	2.0%	19.2%
Recurring profit margin	2.5%	3.6%	3.1%	1.3%	3.7%	2.6%	2.1%	3.6%	2.9%
Net income	**587**	**1,109**	**1,696**	**347**	**1,275**	**1,622**	**625**	**1,175**	**1,800**
YoY	-1.5%	11.3%	6.5%	-40.9%	15.0%	-4.4%	80.1%	-7.8%	11.0%
Net margin	1.6%	2.7%	2.2%	0.8%	2.7%	1.8%	1.3%	2.4%	1.9%

Source: Shared Research based on company data
Note: The company was established on October 2, 2023, through a share transfer. The YoY change for the FY03/24 forecast is a reference value.

For FY03/24, Nisso forecasts revenue of JPY97.0bn (+6.8% YoY), operating profit of JPY2.8bn (+23.5% YoY), and net income attributable to owners of the parent of JPY1.8bn (+11.0% YoY). Nisso Holdings was established on October 2, 2023, through a share transfer. The YoY change for the FY03/24 forecast is a reference value.

Production recovery in the semiconductor industry (semiconductor manufacturing) and the electronics industry (electronic equipment manufacturing) trended slower than the company's initial expectations. Moreover, in the automotive industry (car manufacturing and EV-related manufacturing), revenue is forecasted to fall below plans due to repeated operation suspensions at body manufacturers. Additionally, due to the failure to meet the revenue target and deterioration of the cost-revenue ratio with declining revenue, operating profit, recurring profit, and net income are expected to fall short of the initial plan. Consequently, the company revised its full-year earnings forecast.

In the automotive sector, operational shutdowns stem from factors unique to manufacturers, yet overall demand is rebounding, with factory utilization trending upward. Furthermore, component demand for PCs and communication devices, although lagging initial expectations, is gradually picking up. In the semiconductors memory area, despite the lingering effects of inventory adjustments, certain chip manufacturers are ramping up production starting in Q4, anticipating revenue growth.

The operating profit for this term is projected at JPY2.8bn, below the JPY4.0bn target set in the mid-term management plan. Although the company revised this plan in August 2022 with an optimistic forecast for the automotive industry's production normalization by FY03/24, it now sees a delay in recovery. This delay stems from shutdowns at some manufacturers' plants and extended adjustments in semiconductor memory inventories.

The company anticipates to have over 17,000 registered workers as of end-FY03/24. It plans to spend on recruitment in Q3 and Q4 to achieve a net increase of 1,000 workers annually. The company plans to invest in directing prospective workers to its website through TV commercials. Additionally, the company has formed a recruitment consortium with over a hundred companies. After obtaining applicants' consent, NISSO and partner companies will conduct job matching and share human resources.

Strategies

From account-focused to industry-centric strategy

In its previous strategy, the company thought of each client company (account) as a "point." In other words, it focused on dispatching high-value-added workers, mainly skilled staff, to its four most important account groups in order to increase its market share. However, from FY03/24, the company will transition to an industry-centric strategy based on an "area" approach, in which it will determine what type of personnel will have high market value in the three key industries, and dispatch such personnel to the key industries while nurturing them.

The three key industries are 1) automotive industry (auto manufacturing and EV-related manufacturing industry); 2) semiconductor industry (semiconductor manufacturing industry); and 3) electronics industry (electronic device manufacturing industry). The company will negotiate with its top business partners, especially those that are expected to grow in the future, and dispatch workers these partners need. In the automotive industry, the company had previously worked to increase its share focused on body manufacturers, but going forward, will build an earnings pillar in the battery sector.

By shifting to an industry-based strategy, the company expects to serve more customers and see an uptick in sales strategy and customer management work. However, this approach also enables the company to develop a deeper understanding of customer needs and the ability to educate and supply talent that better meets these needs, which the company believes will lead to capturing more demand.

Outlook for target industries

Regarding its outlook for the three key industries in FY03/24, the company thinks only the automotive industry will perform strongly throughout the year. Production is expected to improve as the shortage of semiconductors, including power semiconductors, and supply chain disruptions are resolved. While the semiconductor and electronics sectors are expected to be sluggish throughout the year, the company expects to see signs of recovery starting in Q4.

The semiconductor sector, including memory chip producers, is focused on inventory control. However, in 2H, Rapidus plans to establish its first plant in Hokkaido. At the same time, TSMC (Taiwan Semiconductor Manufacturing Company) aims to construct a facility in Kumamoto Prefecture by the end of 2023, with production set to start in December 2024. The company is focused on enhancing its personnel training capabilities to address these developments and recognizes the importance of investing in this area.

Industry outlook for FY03/24

		Automotive Industry (Automobile manufacturing, EV-related manufacturing industry)	Semiconductor Industry (Semiconductor manufacturing industry)	Electronics Industry (Electronic equipment manufacturing industry)
1H	Capital Investment	Will gradually expand	Will expand	Will be flat
	Production Trends	Production growth will stall	Manufacturing equipment · memory will be sluggish Power semiconductors will be strong	Will be sluggish in conjunction with semiconductors
	Operational Trends	Impact of parts shortages will continue	Operations will be sluggish	Operations will be sluggish
	Personnel Trends	Will be steady	Will be sluggish	Will be sluggish
2H	Capital Investment	Will expand	Will expand further	Will gradually expand
	Production Trends	Parts shortages will be resolved, but production will remain stagnant due to certification issues	Manufacturing equipment will recover slowly Memory will be sluggish	Will recover but slower than semiconductors
	Operational Trends	Manufacturer's repeated shutdowns will have impact	Manufacturing equipment will recover slowly Memory will be sluggish	Will recover but slower than semiconductors
	Personnel Trends	Will be steady	Will be sluggish	Will gradually increase following semiconductors

Source: Company material

Q3 topics

Acquisition of I's Corporation as a subsidiary

In January 2024, the company made I's Corporation a subsidiary. Based primarily in the Tokyo metropolitan area, I's Corporation specializes in IT field personnel dispatch and contracting services, including manufacturing personnel dispatch and contracting for machine tool manufacturers. This acquisition secures a revenue foundation in areas the company had not ventured into, specifically in the IT infrastructure and system engineers domain, and the company aims to broaden its manufacturing and production HR services along with engineer HR services.

Investment in APB Corporation

In December 2023, the company committed to investing in APB Corporation, a manufacturer specializing in all-polymer batteries. These batteries stand out as next-generation lithium-ion batteries available in various shapes and are scalable for large storage applications. APB takes the lead in development and production. This investment marks the company's strategic move to broaden its presence in the battery storage domain.

Establishment of technical centers

The company inaugurated the Nisso EV Technical Center Kansai in Shiga Prefecture on March 25, 2024. This facility is a central training hub for nurturing battery storage personnel in the Kansai region. Moreover, in May 2024, the company will expand the Nisso Technical Center Kumamoto. By erecting a new building next to the current center, the total floor space will double the size of the existing facilities. The Kumamoto facility will then be able to produce three times the current number of engineers, increasing from 100 to 300 annually.

Medium-term management plan

Background to creation of new medium-term management plan

The company announced a revision of the medium-term management plan on August 8, 2022.

Outline of new medium-term management plan

Mission statement:

We have established as our mission the creation of work opportunities and hope through a human resources solution service that supports the growth of companies and people. We aim to foster a workplace where workers can be rewarded and grow while also providing services that can respond to changes in society and industry structure.

Vision

The company aims to transform into a corporate group with high growth potential in three years. To this end, it plans to: 1) create a rewarding workplace; 2) respond to changes in society and the industrial structure; and 3) enhance governance.

Numerical targets (as of August 8, 2022)

(Cons., JPYmn, %)	FY03/22		FY03/23		FY03/24			FY03/25		FY03/22 - FY03/25	
	Act.	YoY change	Act.	YoY change	MTP	Initial plan	YoY change	Plan	YoY change	Growth	CAGR
					August 2022	2023/5/11					
Revenue	77,549	9,336	90,827	13,278	100,000	100,000	9,173	115,000	15,000	37,451	14.0%
Existing	68,907	7,278	79,189	10,282							
YoY				14.9%							
Engineer Dispatching	5,670	2,059	8,627	2,957							
Other (LT care, welfare)	2,963	-9	3,819	856							
New	9	9									
Gross profit	12,950	1,163	14,554								
Gross profit margin	16.7%		16.0%								
Operating profit	2,087	-512	2,268	613	4,000	3,600	1,332	6,700	3,100	4,613	47.5%
Operating profit margin	2.7%		2.5%	+0.3pp	4.0%	3.6%		5.8%			
Recurring profit			2,349			3,600					
Net income	1,696	104	1,622	104		2,300					
ROE								20%or higher			
Financial leverage (equity multiplier)								2.5x or less			
Payout ratio								30%or higher			

Source: Shared Research based on company data

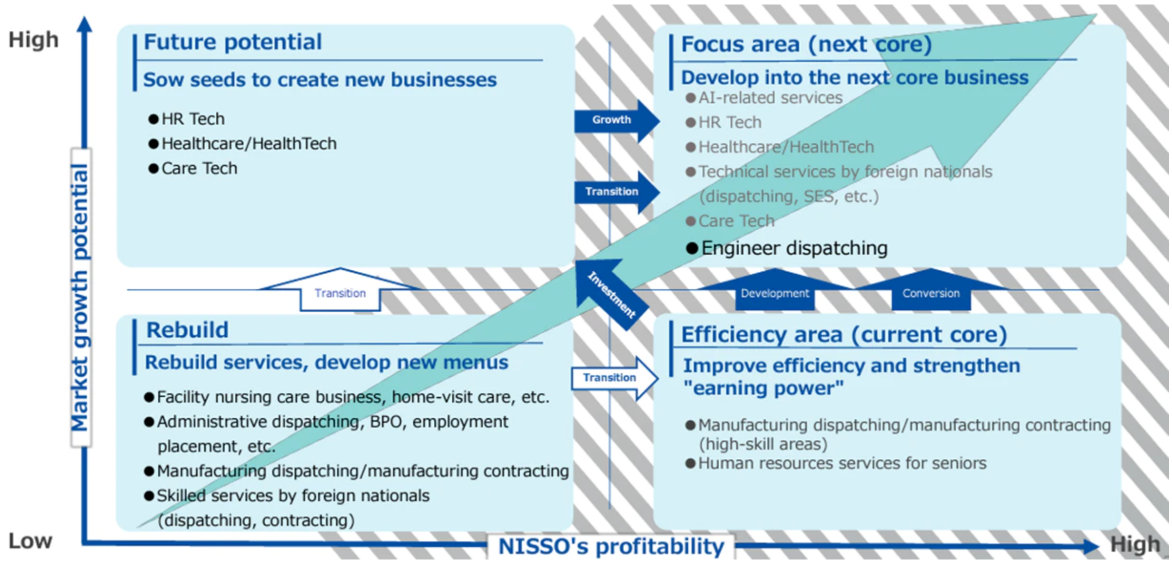
In FY03/25, the company forecasts JPY115.0bn in revenue (CAGR of 14.0% from FY03/22 to FY03/25), JPY6.7bn in operating profit, and 5.8% in operating profit margin. This is in effect pushing back the FY03/24 forecasts for revenue, operating profit, and operating profit margin in the previous medium-term management plan (announced May 12, 2021) by one year. The company aims for three-year CAGR to exceed the industry standard, ROE to reach at least 20%, financial leverage to be 2.5 times or lower, and for a payout ratio of 30% or higher.

Management strategies

Business strategies

- Rebuild traditional white-collar fields, traditional LT care, and technical services by foreign nationals
- In white-collar fields, focus on fields demonstrating market growth; i.e., highly specialized fields (HR tech, healthcare, LT care tech)
- Develop current core operations where profit growth has been recognized in the medium term (e.g., manufacturing dispatching and manufacturing contracting) into core businesses with high added value, such as engineer services.
- The company believes that maintaining specialized workers in growth fields with a view toward market trends over the next five years will tie into the next stage of growth.

Business portfolio strategies



Source: Shared Research, quoted from company data

Provide services that accommodate changing approaches to production

- The company needs to change its business model in keeping with the shift to services in the manufacturing industry.
- Change from the company's core business model—receiving payment from customers for manufacturing and providing goods—to a business model of co-creating value with customers. Value increases through the customers' experiences, so aim to add services to the goods, and create value along with the customers.
- Support increased manufacturing efficiency in the front lines as in the past, but also provide facilities maintenance and derivative "soft services" that further increase productivity.

Business-specific strategies

- The core of manufacturing/production and engineers is at Nisso and Vector Shinwa. Also continue to investigate M&As and joint ventures.
- The approach to M&As is not alliances in the HR service industry. Rather, by working with strong regional partners, supplement areas that are lacking, such as frameworks for development, recruiting, and retaining workers.
- The specific direction for engineer training is to use training content and work with new partners to provide even more workers with new curriculums related to digital technologies. Having done that, increase share in existing areas such as production technologies, R&D, and design/development, and utilize IT engineers and AI engineers, who demonstrate skills and improved learning abilities, in new fields.

Area		Operating Company	Directionality	Initiatives	Possibility of MA, JV, etc.
General Human Resources Services Business	Manufacturing ・Production	NISSO	• Improve efficiency and strengthen "earning power"	• Strengthen service provision system • Increase share of account clients	○
	Engineering	Vector Shinwa 株式会社ベクトル伸和	• Develop into the next core business • Expand high value-added areas	• Expand educational venues • Expand SES services • Expand enrollment	◎
	Administrative	Nisso Brain いつも「ありがとう!」のとなりに。	• Rebuild services • Develop new menus	• Pursue business opportunities	-
	Other	Nikon Nisso Prime Corporation 株式会社ニコン日総プライム Nisso Pure Co., Ltd. 日総ぴゅあ株式会社 SHANGHAI NISSO HUMAN RESOURCES Co., Ltd. 上海完素人力資源服務有限公司	• Create synergies	• Strengthen cooperation with existing partnerships	○
Other Businesses	Nursing Care ・Welfare	Nisso Nifty Co., Ltd. 日総ニフティ株式会社	• Rebuild services • Develop new menus	• Improve facility occupancy rates • Diversify business opportunities	-
	Other	Leaf NxT	• Sow seeds to create new value	• Build new partnerships	○

Source: Shared Research, quoted from company data

Strategies for strengthening the base

- Human capital management: Actively invest in HR management, education and training, and career development.
- Accommodate increased mobility in HR: Seek out and visualize worker capabilities and corporate needs, and seek out workers while at the same time expanding business opportunities. In career development, expand strengths and supplement areas that are lacking, and tie this into the placement of the appropriate workers in the appropriate positions. To place workers in fields with high market growth, create an HR database, and promote career changes by providing individual workers with the things that they need and the things that should be supplemented.
- Achieve business transformations through the digitalization of work processes: Implement management based on data. Rebuild backbone systems, put in place data utilization platforms, promote the use of XR technologies, and link data with customers. By using big data, increase the speed of decision-making, and aim for increased quality and more advanced services.
- Strengthen governance: Implement four initiatives: (1) Build Group-wide decision-making systems; (2) Improve operational excellence; (3) Improve and refine risk management; and (4) Implement secure data management and BCP.

Business

Business model

Nisso is an HR services company whose main business is dispatching workers to manufacturers. In FY03/23, revenue was JPY90.8bn and operating profit was JPY2.3bn. The company has two segments: the General HR Services business and Other businesses. In the General HR Services business, which accounts for 96.7% of revenue, the company mainly dispatches personnel to work in manufacturing companies' production division. Other businesses, which produce 3.3% of revenue and 2.1% of operating profit, include the operation of nursing care facilities. In accordance with its founding vision of "nurturing and bringing out the best in people," Nisso emphasizes its focus on cultivating human resources. The company plans to establish Nisso Holdings Co., Ltd. in October 2023 and transition to a holding company structure.

Performance by segment

By segment	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Revenue	53,533	59,208	69,161	74,966	68,213	77,549	90,827
YoY	-	10.6%	16.8%	8.4%	-9.0%	13.7%	17.1%
General HR Services business	51,251	56,935	66,684	72,178	65,250	74,594	87,817
YoY	-	11.1%	17.1%	8.2%	-9.6%	14.3%	17.7%
Other businesses	2,282	2,274	2,485	2,796	2,972	2,963	3,031
YoY	-	-0.4%	9.3%	12.5%	6.3%	-0.3%	2.3%
Operating profit	860	1,801	2,869	3,061	2,599	2,087	2,268
YoY	-	109.3%	59.3%	6.7%	-15.1%	-19.7%	8.7%
Operating profit margin	1.6%	3.0%	4.1%	4.1%	3.8%	2.7%	2.5%
General HR Services business	-	1,906	3,120	3,117	2,578	2,052	2,222
YoY	-	-	63.7%	-0.1%	-17.3%	-20.4%	8.3%
Operating profit margin	-	3.3%	4.7%	4.3%	4.0%	2.8%	2.5%
Other businesses	-	-101	-247	-54	23	36	48
YoY	-	-	-	-	-	56.5%	33.3%
Operating profit margin	-	-4.4%	-9.9%	-1.9%	0.8%	1.2%	1.6%
Adjustments	-	-4	-4	-2	-3	-1	-2

Source: Shared Research based on company data

Business segments

General HR Services business

Nisso (parent company) handles the mainstay General HR Services business, which includes HR dispatching (assigning personnel to work at manufacturers' production sites) and manufacturing contracting. In FY03/23, non-consolidated revenue was JPY80.8bn, equal to 92% of revenue in the General HR Services segment. Manufacturing dispatching accounts for most segment revenue (at nearly 80%), with manufacturing contracting delivering over 20%. In addition, wholly owned subsidiary Nisso Brain handles dispatching for general office work and business process outsourcing (BPO), handling entire processes on a client's behalf. Another wholly owned subsidiary, Nisso Pure, employs people with disabilities and conducts light-work contracting and product sales. These two subsidiaries' contribution to overall operating performance is negligible.

Manufacturing dispatching

Manufacturing dispatching requires permission from the Ministry of Health, Labour and Welfare to engage in the temporary staffing business based on the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers (Worker Dispatching Act). In this business, Nisso signs worker dispatching agreements with client companies (manufacturers), enters employment contracts with job seekers, and dispatches workers to client companies (manufacturers). Workers perform operations under the instruction of client companies, who handle quality control and labor management. Manufacturers pay the company compensation in return for the labor of dispatched workers, generally based on time billing. Before dispatching workers to client companies, Nisso generally increases the quality of workers by providing safety education and other essential training at its own facilities.

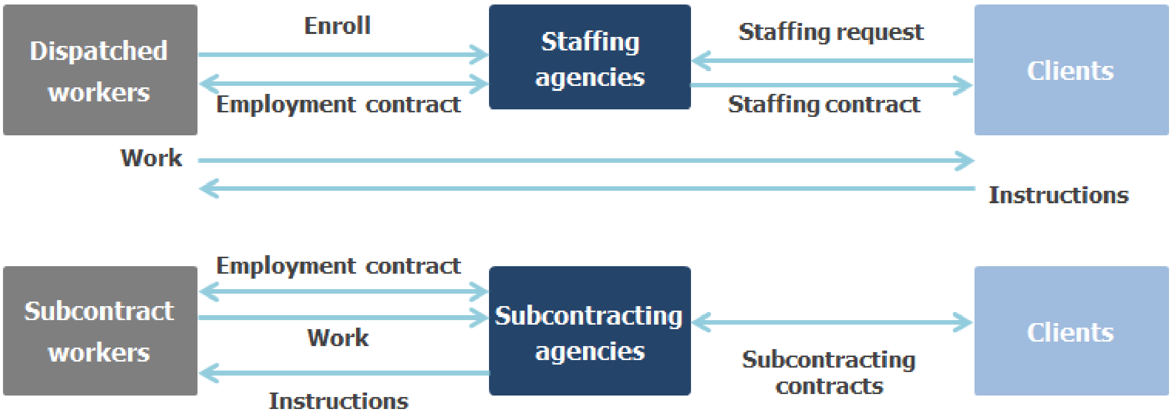
Manufacturing dispatching's business territory is primarily factories, covering workflows involved in the manufacturing of things. After receiving an order from the manufacturer, the company begins recruitment activities, interviews and matches jobseekers, and dispatches them to the workplace. (In general dispatch services, primarily in office work or service industries, or white-collar dispatch, the dispatch company registers the qualifications and experience of jobseekers, but manufacturing dispatching that the company engages in does not involve registration.) The primary duties are processing and assembling in manufacturing workplaces, product inspection in inspection businesses, and research, development, and facilities maintenance in engineering businesses.

Manufacturing contracting

In manufacturing contracting, Nisso is the contractor company, providing services to manufacturers on a contract basis. Nisso takes responsibility for manufacturing specified items in specific quantities and delivering them within a specified period. Client companies provide production facilities and raw materials. Nisso enters employment contracts with job seekers and provides job-related instructions. This business is high-value-added, as the company puts in place frameworks relating to production, quality control, labor management, and workplace operations, unlike manufacturing dispatching, where work is carried out under the direction of the manufacturer. The manufacturer usually pays the company on a piece-rate basis for products made under the company's direction. Work processes must generally be in line with manufacturers' instructions, which allows for the calculation of rough estimates of hourly wages. Nisso got its start in the contracting business.

Nisso says its goal in both businesses is to improve productivity at client companies (manufacturers). In the case of manufacturing dispatching, Nisso employees participate in small-group and other quality control activities alongside client companies' employees. Nisso may also propose revisions to operation manuals. Also, employees working under contract based on Nisso's instructions may submit proposed revisions to operation manuals to client companies (manufacturers).

Business model in the HR services field



Source: Shared Research based on materials from the Japan Association of Human Resource Services Industry

As of end-FY03/23, on a non-consolidated basis the number of personnel placed at client companies was 15,998. Except when undergoing training, registered personnel work at client companies' factories. Nisso's personnel numbers are comparable to those of a large manufacturer.

Engineers

One distinguishing feature at Nisso is its high proportion of indefinite-term engineers (over 5,000 skilled staff and over 1,500 engineers). In the HR dispatching business, the dispatching company generally signs fixed-term agreements with applicants. Once the dispatching company's agreement with a client company ends, it may terminate the fixed-term agreement with the worker (agreements are usually six-month renewable) if it is unable to match the worker with another client company. Under this arrangement, the HR dispatching business usually incurs few fixed costs. At Nisso, as well, about 40% of registered personnel are on fixed-term agreements.

Number of personnel placed at client companies (Nisso on a parent-only basis)

Enrolled workers	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(number of participants)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Parent	11,497	12,444	14,042	14,770	13,146	14,945	15,998
YoY	-	8.2%	12.8%	5.2%	-11.0%	13.7%	7.0%

Source: Shared Research based on company data

Nisso provides indefinite-term employees (skilled staff) with education and training, enabling them to gain skills and technological expertise to provide higher-quality services to client companies. For workers, indefinite-term employment limited to a particular region or industry is aspirational. These employees usually enjoy stable working environments (monthly salary, bonus, and retirement benefits also available), are placed at key clients with whom Nisso has long-term partner relationships, and command relatively high unit rates. A stable employment environment encourages employees to proactively learn skills and technologies. Nisso says the opportunity to put these skills into practice boosts job motivation and work satisfaction.

Skilled staff represent fixed costs for Nisso, making business risk higher than with the general dispatching business. However, Nisso continues to promote employees as skilled staff, for three reasons. First, rates are based on skills and technological levels, so skilled staff command higher rates than general dispatched personnel. Second, the company mainly dispatches skilled personnel to key clients with which it has long-term partnerships in place, so the risk of contract termination is relatively small. Third, Nisso has a client base spanning some 700 companies, so it should be able to find alternative placements swiftly even when contracts are terminated.

A large automaker group, one of Nisso's key clients, was behind the introduction of the skilled staff system. During the automobile assembly process, the need for workers is typically greatest during new vehicle launches. Conventional practice was for each factory to employ workers for fixed periods based on their own factory schedules, such as when beginning production on new model. Under this arrangement, individual factories were responsible for recruiting and needed to maintain systems to provide induction training (including safety education) before assigning workers. Outsourcing induction training to Nisso meant that individual factories no longer needed to maintain fixed human resources to provide this pre-deployment training. The arrangement benefited Nisso as well, as it could set higher unit rates for workers who had completed training. (The cost of providing education is thus an up-front cost that can be recouped after dispatch.) Once trained, workers can be assigned to other factories or other automakers after temporary production increases end.

Manufacturers of electronic components need people who can help bring production lines back into operation after temporary shutdowns. Shared Research understands that this need extends to facility maintenance technologies and skills. Nisso notes that semiconductor manufacturers also require personnel who can handle facility maintenance.

Engineering personnel

In the medium-term management plan disclosed in May 2021, the company positioned the engineering domain as a growth engine. The company worked to strengthen and expand its pool of engineering personnel by treating them differently from other manufacturing personnel. Engineers are largely enrolled in three industries: equipment technology, production technology, and design technology, with the strength of the company being its 80% of registered workers in equipment technology. This field is highly compatible with manufacturing, and is able to utilize the training know-how accumulated by the company. The company also maintains an educational curriculum related to digital technologies such as AI and VR. The strategy is to train high-quality IT and AI engineers to advance into new areas and increase market share in existing areas.

In an effort to hire engineers, beginning in September 2021, the company established *Engineer Works*, a specialized engineering recruitment site. In addition to dividing recruitment occupations into manufacturing and IT, the company is also working to expand the range of occupations for recruitment. In September 2020, we entered into a capital and business alliance with Cross Compass Ltd., an AI technology company, to train AI engineers. By coordinating the abundant knowledge and human resources at the manufacturing sites of Cross Compass and AI technology and developing the capabilities possessed by Cross Compass, the company is aiming to create a high-value-added service - *human and AI-based on-site solutions* - for the manufacturing industry.

Educational programs

In FY03/23, the cumulative number of people completing Nisso's training programs was 7,291. Many manufacturing workers take part in basic manufacturing training programs. Nisso says the number of workers undergoing basic facility maintenance training is also rising in response to growing demand from client companies. The company has eight training facilities across Japan. Nisso purchases pre-owned facilities for use in its facility maintenance curriculum. The company says it distinguishes itself from competitors by providing such opportunities for workers to gain skills and expertise.

Training conducted

Training track record	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(Total)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Total	-	-	3,214	4,268	3,167	6,104	7,291
YoY	-	-	-	32.8%	-25.8%	92.7%	19.4%
Manufacturing	-	-	3,047	3,895	2,840	5,396	6,059
YoY	-	-	-	27.8%	-27.1%	90.0%	12.3%
Basic maintenance	-	-	167	373	259	290	362
YoY	-	-	-	123.4%	-30.6%	12.0%	24.8%
Engineer training	-	-	-	-	68	418	870
YoY	-	-	-	-	-	514.7%	108.1%

Source: Shared Research based on company data

Account strategy

In FY03/23, the automotive industry accounted for 45.0% of parent-only revenue, electronic devices 30.4%, precision and electrical machinery 11.4%, and others (such as housing equipment) 13.2%. Nisso typically provides workers to around 700 companies. Established in 1971, the company has a long track record. The company attributes its broad-ranging client portfolio to the trust it has built up over the years and its promotion of services that meet client companies' needs and workers' requests.

Nisso refers to its key clients—four large corporate groups—as "key accounts." These groups are: 1) large automakers and their group companies, 2) electrical equipment manufacturers that also make semiconductors within their corporate groups, 3) electronic components manufacturers that mainly produce ceramic capacitors and other passive components, and 4) manufacturers of precision machinery that concentrate on photocopiers (multifunctional).

Nisso has had other major clients in the past that scaled back businesses using external human resources or moved production overseas, reducing demand for Nisso's services. As a result, Nisso currently positions the four groups as "key accounts." The company is able to make proposals directly to senior management due to its relationships, so manufacturers share their production plans, enabling the company to plan personnel deployment.

Revenue by industry (parent only)

Revenue by industry (parent)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Parent	46,929	53,184	63,474	69,209	62,549	71,697	80,776
YoY	-	13.3%	19.3%	9.0%	-9.6%	14.6%	12.7%
Automobile	16,392	18,993	25,130	31,667	27,104	31,618	36,375
YoY	-	15.9%	32.3%	26.0%	-14.4%	16.7%	15.0%
% of total	34.9%	35.7%	39.6%	45.8%	43.3%	44.1%	45.0%
Electronic devices	11,782	15,047	17,927	17,828	18,406	21,935	24,545
YoY	-	27.7%	19.1%	-0.6%	3.2%	19.2%	11.9%
% of total	25.1%	28.3%	28.2%	25.8%	29.4%	30.6%	30.4%
Precision, electrical machinery	7,971	8,899	9,605	9,061	7,924	8,329	9,181
YoY	-	11.6%	7.9%	-5.7%	-12.5%	5.1%	10.2%
% of total	17.0%	16.7%	15.1%	13.1%	12.7%	11.6%	11.4%
Other	10,783	10,244	10,808	10,650	9,111	9,827	10,674
YoY	-	-5.0%	5.5%	-1.5%	-14.5%	7.9%	8.6%
% of total	23.0%	19.3%	17.0%	15.4%	14.6%	13.7%	13.2%

Source: Shared Research based on company data

Nisso works with client companies, proposing new services that offer win–win solutions for both parties over the medium to long term. One such example is indefinite-term employees (skilled staff), described earlier. In the past, manufacturers assigned only directly employed personnel to main production lines. This practice gradually gave way, and workers with sufficient education and training were dispatched from other companies to work on main lines. External workers under contract also began handling equipment maintenance, previously the sole purview of permanent employees. These changes occurred as the result of new initiatives in which Nisso cooperated with key clients from a medium- to long-term perspective (allowing HR dispatching companies to increase their share of factory workers).

As outsourcing to key clients is on a medium- to long-term basis, this business is relatively unaffected by business cycles. The COVID-19 pandemic began impacting the economy at end-FY03/20 and has lasted into FY03/21. During this period, Nisso's revenue has fallen significantly, but the drop in revenue from key clients has been small. Owing to efforts to secure strategic outsourcing demand and a sense that the economic downturn is bottoming out, in FY03/23 the four large corporate groups accounted for 43.4% of parent revenue.

Revenue from key account groups

Revenue from key account groups (parent)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Revenue	-	20,885	27,454	30,696	29,757	33,458	35,083
YoY	-	-	31.5%	11.8%	-3.1%	12.4%	4.9%
% of total	-	39.3%	43.3%	44.4%	47.6%	46.7%	43.4%

Source: Shared Research based on company data

Transition to industry-centric stratey

In FY03/24, the company transitioned away from its previous strategy focused on key accounts to one focused on key industries. The account strategy was based on a "point" approach. Put another way, the strategy was to increase market share by dispatching high-value-added personnel, primarily skilled staff, to the company's four most important account groups. However, going forward, the company will shift to a strategy based on an "area" approach. It will determine what type of personnel will have high market value in the three key industries, and nurture such personnel and dispatch them to these industries.

The three key industries are 1) automotive industry (auto manufacturing and EV-related manufacturing; 2) semiconductor industry (semiconductor industry); and 3) electronics industry (electronic device manufacturing industry). The company will in particular negotiate with top business partners with growth potential, and dispatch its workers to these partners. In the automotive industry, the company had previously focused on expanding share by focusing on body manufacturers, but going forward, it intends to build an earnings pillar in the battery field.

Revenue per person

In FY03/23, per-capita revenue among registered personnel amounted to JPY426,000/month (JPY415,000/month in FY03/22). Revenue per person can be analyzed by looking at unit billings (hourly wages) and hours worked. Hours worked are linked to hours of operation of client companies' production lines, which Nisso cannot control. (When production levels fall, overtime and holiday work decrease, and the number of hours worked declines.) Nisso notes that unit billings trend upward each year. The rise may be because client companies value the provision of employees who have sufficient training and education. At JPY518,000/month (JPY514,000/month in FY03/22), revenue per engineer was around 20% higher than Nisso's average. Boosting engineer numbers is helping to raise revenue per person.

Revenue per person (parent only, monthly average)

Revenue per enrolled worker	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPY'000)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Overall	344	367	391	397	396	415	426
YoY	-	6.7%	6.5%	1.5%	-0.3%	4.8%	2.7%

Source: Shared Research based on company data

Turnover rate

The turnover rate is a KPI for measuring company trends. In FY03/23, the turnover rate was 3.9% (unchanged YoY) for manufacturing and production HR services and 2.1% (1.9%) for engineer HR services. Reasons for this churn are numerous and include the ending of client company contracts, a falling appetite for working far from home (even when the company has secured a new position for the worker), lack of a desired position, or differences in salary or working conditions due to a change in client company. Assuming the number of personnel placed at client companies is 15,000, a turnover rate of 4% would equate to churn of around 600 people per month. Unless worker demand falls, the company would incur recruitment expenses, as it would need to recruit, sign contracts with, and train 600 new people each month. Nisso aims to lower turnover by providing sufficient opportunities for education, supporting career advancement, and improving pay and conditions.

Recruiting

The nature of the HR dispatching and manufacturing contracting businesses invites a certain level of turnover. To compensate and grow regardless, companies need to attract and recruit people who want to work in the manufacturing industry. With recruiting locations across Japan, from Hokkaido in the north to Okinawa in the south, Nisso has the framework in place to interview many job seekers. Amid the COVID-19 pandemic, Nisso has begun actively interviewing online as well. To encourage job seekers to continue working long-term, Nisso strives to give applicants a good understanding of the company and provide thorough explanations of the working environment at client companies. These two-way communications between the company and job seekers emphasize work based on mutual understanding and agreement.

Nisso is one of the largest companies engaged in worker dispatching and contracting to the manufacturing industry. Each year, the company provides numerous working opportunities to job seekers at around 700 client companies. For people who want to work in manufacturing, one advantage Nisso offers is a range of employment choices. The company also focuses on developing people, based on its founding philosophy of "nurturing and bringing out the best in people." The company offers several programs in addition to the fundamental training needed for working in the manufacturing industry (education on safety and manufacturing), such as training in site operational management skills and technical education to impart skills and technologies required in the workplace. In addition to classroom lectures, the company provides practical training at eight education/training centers across Japan. Nisso also helps people who are interested to develop career plans. Its focus on providing a "place to learn" helps make it jobseekers' employer of choice.

To raise awareness among job seekers, Nisso operates its own website, Kojo Kyujin Navi ("factory personnel recruiting"), and advertises on job information sites and in leaflets, job-placement magazines, local magazines, free papers, and the like. The company says it is focused on making its own website attractive and easy to navigate. Nisso comments that it has been using websites to attract job seekers since around 2005, and has high visibility in the manufacturing dispatching field. This claim is supported by responses among job applicants, with 50–60% saying they were attracted by the company's website and around 20% by other companies' websites such as Indeed. By comparison, fewer than 20% responded that they were drawn to the company via print media or introductions. The fact that many job seekers found the company via its website suggests Nisso is spending its advertising budget efficiently.

Making Vector Shinwa Co., Ltd. a subsidiary

In FY03/22, the company made Vector Shinwa a subsidiary. With bases in Aichi, Hiroshima, and Fukuoka prefectures, Vector Shinwa's main emphasis is on contract work in the semiconductor and precision equipment manufacturing industries, where it is engaged in a wide range of operations such as designing, developing and manufacturing jigs and various production equipment, and introducing and dispatching human resources. Vector Shinwa has a track record of working with assembly technology in a diverse range of categories cultivated over many years of doing business with semiconductor manufacturing equipment manufacturers. With a few highly skilled professionals, Vector Shinwa is focused on developing human resources, and has earned the trust of manufacturers as a company that can provide irreplaceable high value-added services. In FY02/21, Vector Shinwa posted revenue of JPY541mn, operating profit of JPY101mn, and OPM of 18.7%.

Vector Shinwa is thought to have the ability to respond to new orders and strengthen its business management system by utilizing such resources as nationwide recruitment of human resources through the recruitment site Factory Job Navi and human resource development at training facilities, which should lead to more profitable opportunities.

Nisso's cost structure (parent only)

Performance (parent only)

Parent	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.
Revenue	46,929	53,184	63,474	69,209	62,549	71,697
YoY	-	13.3%	19.3%	9.0%	-9.6%	14.6%
Cost of revenue	38,959	43,568	51,870	56,716	51,323	59,361
YoY	-	11.8%	19.1%	9.3%	-9.5%	15.7%
Cost ratio	83.0%	81.9%	81.7%	81.9%	82.1%	82.8%
Gross profit	-	9,616	11,603	12,492	11,226	12,336
YoY	-	-	20.7%	7.7%	-10.1%	9.9%
Gross profit margin	-	18.1%	18.3%	18.0%	17.9%	17.2%
SG&A expenses	-	7,819	8,641	9,373	8,603	10,222
YoY	-	-	10.5%	8.5%	-8.2%	18.8%
SG&A ratio	-	14.7%	13.6%	13.5%	13.8%	14.3%
Operating profit	-	1,796	2,962	3,119	2,622	2,114
YoY	-	-	64.9%	5.3%	-15.9%	-19.4%
Operating profit margin	-	3.4%	4.7%	4.5%	4.2%	2.9%
Recurring profit	760	1,759	2,943	3,124	2,863	2,294
YoY	-	131.5%	67.3%	6.2%	-8.4%	-19.9%
Recurring profit margin	1.6%	3.3%	4.6%	4.5%	4.6%	3.2%
Net income	437	1,000	2,240	2,030	1,530	1,607
YoY	-	128.7%	124.0%	-9.4%	-24.6%	5.0%
Net margin	0.9%	1.9%	3.5%	2.9%	2.4%	2.2%

Source: Shared Research based on company data

In FY03/22, Nisso's cost of revenue ratio was 83.4% on a non-consolidated basis. The biggest component was labor costs of registered personnel, making up 96.3% of cost of revenue. (Labor costs as a percentage of revenue were 80.1%.) Fixed-term employees represent variable expenses, as their contracts can be discontinued if no new client company position is found for them after an existing agreement ends. Indefinite-term employees (skilled staff), on the other hand, more closely resemble fixed costs, as their employment relationship with the company continues, in principle, even if existing agreements with client companies end. Allowances for overtime and holiday work generally correlate with the labor cost ratio, so do not affect the gross profit margin. Also, the labor cost ratio for skilled staff (for which revenue per person is high) is approximately the same as the overall level. As a result, a rise in the number of skilled staff causes gross profit to increase but does not boost GPM. Expenses within cost of revenue include rent on dormitories for registered personnel and the cost of welfare programs. These expenses basically track the number of personnel placed at client companies.

Cost of revenue (parent)

Cost of revenue breakdown	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
(JPYmn)	Parent	Parent	Parent	Parent	Parent	Parent
Cost of revenue	38,959	43,568	51,870	56,716	51,323	59,360
YoY	-	11.8%	19.1%	9.3%	-9.5%	15.7%
% of revenue	83.0%	81.9%	81.7%	81.9%	82.1%	82.8%
Labor costs	37,291	41,844	49,746	54,331	49,420	57,404
YoY	-	12.2%	18.9%	9.2%	-9.0%	16.2%
Other costs	1,668	1,724	2,124	2,385	1,903	1,956
YoY	-	3.4%	23.2%	12.3%	-20.2%	2.8%
Dormitory rents	601	578	679	640	583	615
YoY	-	-3.9%	17.5%	-5.7%	-8.9%	5.5%

Source: Shared Research based on company data

Margin ratio: In addition to financial statements, the company discloses (on its Japanese website) the margin ratio for each of its business locations. The margin ratio, based on Japan's Worker Dispatching Act, is calculated as (dispatching fee – wages) / dispatching fee. The ratio varies by location, but is generally around 30%. In addition to the company's profit (gross profit), this "margin" includes expenditures for education and training (provided voluntarily and for free), social insurance premiums, and the cost of welfare programs.

SG&A expenses are mostly personnel expenses, such as salaries and allowances and provision for bonuses. On a consolidated basis, Nisso has 1,802 sales and administrative employees (FY03/22). These people are considered fixed costs. As the company grows, Nisso expects these fixed costs to rise more slowly, improving the operating profit margin. Within SG&A expenses, variability is relatively high for job seeker recruitment expenses. These expenses tend to rise when labor markets are tight due to labor shortages and fall substantially when outsourcing demand from client companies declines.

SG&A expenses

SG&A expenses breakdown	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
SG&A expenses	8,100	8,573	9,370	10,054	9,188	10,863
YoY	-	5.8%	9.3%	7.3%	-8.6%	18.2%
% of revenue	15.1%	14.5%	13.5%	13.4%	13.5%	14.0%
Directors' compensations	-	280	266	310	246	165
YoY	-	-	-4.9%	16.5%	-20.6%	-32.9%
% of revenue	-	0.5%	0.4%	0.4%	0.4%	0.2%
Salaries and allowances	3,505	3,328	3,533	3,737	3,777	4,061
YoY	-	-5.0%	6.2%	5.8%	1.1%	7.5%
% of revenue	6.5%	5.6%	5.1%	5.0%	5.5%	5.2%
Provision for bonuses	165	201	226	221	266	287
YoY	-	21.5%	12.6%	-2.2%	20.4%	7.9%
% of revenue	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
Retirement benefit expenses	76	108	126	136	140	145
YoY	-	42.3%	16.3%	7.9%	2.9%	3.6%
% of revenue	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Recruitment expenses	1,084	1,167	1,440	1,540	776	1,507
YoY	-	7.7%	23.4%	6.9%	-49.6%	94.2%
% of revenue	2.0%	2.0%	2.1%	2.1%	1.1%	1.9%
Provision for doubtful accounts	0	1	5	-3	22	9
YoY	-	-	286.7%	-	-	-59.1%
% of revenue	-	0.0%	0.0%	-0.0%	0.0%	0.0%
Other	3,271	3,488	3,774	4,113	3,961	4,689
YoY	-	6.7%	8.2%	9.0%	-3.7%	18.4%
% of revenue	6.1%	5.9%	5.5%	5.5%	5.8%	6.0%

Source: Shared Research based on company data

Other businesses

Other businesses include the nursing care and welfare businesses. Nisso Nifty, a wholly owned subsidiary, provides in-facility nursing care (paid nursing homes with nursing care) and at-home nursing care. The main business involves operation of six Sweetpea nursing homes in the city of Yokohama. Operations are stable at buildings one through six (capacity: 402 persons), and the occupancy rate remains above 90%. In FY03/23, Other businesses produced revenue of JPY3.0bn and operating profit of JPY68mn.

Occupancy rates at Sweetpea nursing care facilities

Nursing facility residents	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Buildings No. 1 to 5 (capacity: 308)	-	-	295	297	294	-	-
Occupancy	-	-	95.7%	96.4%	95.5%	-	-
Building No. 6 (capacity: 94)	-	-	33	73	87	-	-
Occupancy	-	-	35.1%	77.7%	92.6%	-	-
Buildings No. 1 to 6 (capacity: 402)					381	364	380
Occupancy					94.8%	90.5%	94.5%

Source: Shared Research based on company data

Market and value chain

Temporary staffing market

According to data from the Ministry of International Affairs and Communications' Statistics Bureau, the number of people employed in Japan in 2021 numbered 56.2mn (average for the year, excluding executives). This figure represents a rise of 4.8mn from the 2010 level of 51.4mn people and a decline of 400,000 from 2019. Indefinite-term employees accounted for 35.6mn, and fixed-term employees came to 20.6mn. In 2010, indefinite-term employees numbered 33.7mn (rising 1.8mn by 2021), and fixed-term employees totaled 17.6mn (rising 3.0mn by 2021). The ratio of fixed-term employees rose from 34.3% of the total in 2010 to 38.3% in 2019. It declined to 37.2% in 2020 and 36.7% in 2021 due to the impact of the pandemic. Japan's working-age population (people aged 15 to 64) has shrunk since its peak at 87.2mn in 1995 to 76.3mn in 2015, but labor force participation has grown. Fixed-term employees, in particular, have supported this trend.

Fixed-term employees break down into part-time workers (14.6mn, 15.2mn in 2019), non-regular contract employees (3.9mn, 4.2mn), and staff dispatched from temporary staffing business operators (1.4mn, 1.4mn). Since 2010, the number of part-time workers has increased by 2.6mn, non-regular contract employees by 0.6mn, and dispatched staff by 0.4mn.

Number of employees in Japan and number of fixed-term and indefinite-term employees

(million people)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Indefinite-term employees	33.45	33.02	32.88	33.17	33.67	34.23	34.76	34.94	35.29	35.55
Fixed-term employees	18.16	19.10	19.67	19.86	20.23	20.36	21.20	21.65	20.90	20.64
Workers from dispatch services	0.91	1.16	1.19	1.27	1.33	1.34	1.36	1.41	1.38	1.40
% of fixed-term employees	35.2%	36.6%	37.4%	37.5%	37.5%	37.3%	37.9%	38.3%	37.2%	36.7%
% of dispatched workers	1.8%	2.2%	2.3%	2.4%	2.5%	2.5%	2.4%	2.5%	2.5%	2.5%

Source: Shared Research based on "Labor Force Survey" by the Statistics Bureau of the Ministry of Internal Affairs and Communications

The number of dispatched staff (an area where Nisso is involved) grew from 2002 to 2008, reaching 1.4 million. This increase reflected an expansion of the job categories in which dispatched staff could be used, as working styles became more diverse and the Worker Dispatching Act was revised. Owing to the global financial crisis, the market entered an adjustment phase in 2008, and dispatched staff numbers bottomed out at 0.9 million in 2012. An Abenomics-fueled resurgence in domestic manufacturing activity pushed the figure up again after that point, moving beyond the 2008 high to more than 1.4 million in 2019 and 1.4mn in 2021.

According to the Ministry of Economy, Trade and Industry's Basic Survey of Japanese Business Structure and Activities, the most prevalent use of dispatched workers is in the manufacturing industry, at 57%. Most of Nisso's client companies are in this industry. Within this category, use of dispatched workers is particularly high in the automotive industry (manufacture of transportation equipment), at 15%. Non-manufacturing areas where the use of dispatched workers is high are information and communications (14%), wholesaling (9%), and retail (6%). This survey notes that 386,000 dispatched staff work in the manufacturing industry. As of end-FY03/21, Nisso's (non-consolidated) number of personnel placed at client companies was 13,146. These figures suggest that even though Nisso is one of its industry's largest companies, its market share is only around 3%.

Dispatch workers by industry

	FY2019		FY2020	
(people, %)	No. of employees	% of total	No. of employees	% of total
Manufacturing	407,219	57.6%	386,785	57.1%
IT	106,554	15.1%	101,030	14.9%
Wholesale	66,595	9.4%	57,892	8.5%
Retail	40,042	5.7%	43,234	6.4%
Service	42,051	5.9%	47,614	7.0%
Other	44,590	6.3%	41,369	6.1%
Total	707,051		677,924	

Source: Shared Research based on "Basic Survey of Business Activities" by the Ministry of Economy, Trade and Industry

Business cycles and worker dispatch in the manufacturing industry

Within worker dispatching and contracting for the manufacturing industry, different client companies use workers in different ways. Generally, however, manufacturers use worker dispatch to buffer fluctuations in business and production cycles. Manufacturers generally step up outsourcing when they experience personnel shortages during product launches or when product demand outstrips expectations. Conversely, they outsource less during cyclic downturns. Dispatching business operators (along with their competitors) can generally absorb such cyclical variations at the product or company level by sending more registered personnel where they are needed. Larger cyclical events (fluctuations in the business cycle or external factors) that affect multiple industries cause overall demand for outsourcing to decrease. As dispatching companies cannot easily "relocate" personnel in such circumstances, the number of dispatched personnel declines, and operating performance deteriorates. During the economic downturn in 2008 (due to the global financial crisis), prior to Nisso's IPO, the number of dispatched personnel at the company fell to one-fourth of peak levels. Following that experience, Nisso began strengthening education and training, working to secure and train personnel to be more resilient to economic downturns. Despite these efforts, the company was unable to absorb contract terminations from certain companies as demand fell during the COVID-19 pandemic, and the number of personnel placed at client companies declined. Shared Research believes it is instructive to study dispatching to the manufacturing industry by looking at cyclical trends, as well as structural measures to address demand.

Production: Bottoming out and recovery

When demand rises faster than expected, with production bottoming out and moving toward recovery, signs of full-fledged recovery appear as increased overtime and holiday work for dispatching business operators. At this point in a cycle, client companies tend to waver on decisions to increase the number of personnel. Nisso's KPIs express rises in overtime and holiday work as increased revenue per person in line with higher unit rates (hourly wages).

Production: Rising

If demand remains high or is expected to rise even further, dispatching business operators typically begin receiving more requests for dispatched personnel. Manufacturers work to speed up production lines by adding more workers and employing more dispatched staff as more production facilities go into operation. Among Nisso's KPIs, this change would be reflected as an increase in the number of registered personnel. Economic upturns and times when manufacturing activity is expected to rise across a wide range of industries present opportunities to raise unit rates (hourly wages) per dispatched worker. Job seekers also have more choices at these times, so unit labor costs tend to rise, along with recruitment expenses, pushing up overall costs.

Production: At peaks

After production peaks, the first signs of decline usually appear as reductions in overtime and holiday work. Unit rates (hourly wages) do not fall, but revenue per person slacken. Some companies start to reduce dispatched workers, which may be offset by increases at other companies. Workers who are asked to make undesired transfers may decide to quit instead. As a result, this is a period when turnover may rise.

Production: Falling

This is a period when overall production levels are falling, and contract terminations are rising, outpacing new dispatching. In addition to reductions in overtime and holiday work, the number of personnel placed at client companies shows a net decrease, and revenue is likely to fall. In this phase, the ratio of job openings to job applicants may drop, with the interplay between labor supply and demand putting downward pressure on unit rates (hourly wages) per dispatched worker. However, adoption of the "equal pay for equal work" principle means that unit rates are unlikely to fall to previous levels. Recruitment expenses may fall during this phase, as more workers are available per job opening.

This explanation is simplistic; actual cycles are more complex, including multiple elements, and the future is always uncertain. Dispatching business operators do their best to identify changes in the external environment and determine the current points in the cycle. Shared Research understands that these efforts play an important role in projecting short-term performance.

Drivers of structural increases

Structural increases in outsourcing demand are also in play. At one time, the norm in Japan was for people to begin working upon graduation from high school or university and remain with the same employer until retirement. This situation has changed. Nowadays, Japanese workers may choose whether to work at different stages of life, return to their studies, or adjust their working times. Meanwhile, the Worker Dispatching Act has expanded, and differences in pay and working conditions between dispatched and permanent employees have diminished. Nisso provides registered personnel with education and training to increase the number of people who possess broadly versatile skills and technical knowledge. Through this sort of development, the company cultivates people who are resistant to changes in the business cycle. Shared Research believes the market bears watching, as structural demand for outsourcing may increase further.

Revenue from dispatching business

(JPYbn)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue from dispatching business	5,244.5	5,104.2	5,439.4	5,679.0	6,579.8	6,499.5	6,381.6	7,868.9	8,620.9

Source: Shared Research based on "Aggregate results of worker dispatch business reports" by the Ministry of Health, Labour and Welfare

Worker Dispatching Act

The company's main business is dispatching workers to manufacturers. Companies engaged in the dispatching business must be licensed by the Ministry of Health, Labour and Welfare in accordance with the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers (Worker Dispatching Act). When engaging in the dispatching business, in accordance with this act Nisso enters into worker dispatching agreements with dispatch destination companies (client companies) and employment contracts with job seekers. Nisso is then able to dispatch workers to client companies. Workers who are dispatched to client companies engage in work under the instructions of client companies. The Worker Dispatching Act has been revised several times since going into effect in 1986.

Enacted in 1986

The Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers went into effect in 1986. At first, the Worker Dispatching Act was limited to dispatched workers engaging in 13 specific work categories (software development; operation of office equipment; interpretation, translation, and shorthand; secretarial tasks; filing; surveying; account processing; creation of transaction documents; demonstration; tour guide operation; building cleaning; building equipment operation, inspection, and maintenance; guidance, reception, and parking lot administration, etc.). Up to that point, the "labor supply business" had been prohibited under the Employment Security Act. In line with increasing social demand, however, the legal framework was revised to permit dispatching in specific categories. That same year, three more job categories were added (machine design, operation of broadcasting equipment, and production of broadcast programs), raising to 16 the number of job categories permitted to dispatched workers.

When enacted, the act did not allow for dispatching to the manufacturing industry. Contracting business, including manufacturing contracting (wherein business owners who engage in the contracting business instruct and manage workers directly), was outside the scope of the Worker Dispatching Act. At the time, manufacturing contracting was Nisso's main business.

Revised in 1996

Revisions to the act in 1996 increased the number of applicable job categories to 26, including such new categories as product and advertising designers, interior coordinators, and announcers.

Revised in 1999

The 1999 revision was affected by an atmosphere of "deregulation." The approach shifted from making a "positive list" (what job categories could be included in worker dispatch) to making a "negative list" instead, by identifying categories where worker dispatch was prohibited. Among the specifically excluded job types were harbor transportation, construction, policing, medicine, and manufacturing. Worker dispatch to the manufacturing industry was still not allowed.

Revised in 2004

The 2004 revision eliminated the prohibition on worker dispatch to manufacturing sites—a category where demand had been growing. (Prohibitions on worker dispatch in harbor transportation, construction, policing, and medicine remained in place.) Until then, Nisso's main business had been manufacturing contracting. But in 2002, the company obtained a temporary staffing business license. When the prohibition on dispatching workers to manufacturing sites was lifted in 2004, Nisso launched the manufacturing worker dispatching business.

Revised in 2012

The name of the law was changed from the "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers" to the "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers." At the same time, large-scale revisions were made in the interest of protecting dispatched workers. Key points are outlined below.

Provision of margin ratios and other information: To help workers and client companies (business owners) select appropriate dispatching companies, dispatching companies were required to publicize (on the internet or similar) their margin ratios and initiatives related to education and training. The margin ratio is calculated as (average dispatching fee paid by client companies to the dispatching company – average wages paid to dispatched workers)/average dispatching fees. Dispatching companies were also required to notify dispatched workers (at the time of hiring, at the start of dispatch, and at the time dispatching fees were changed) if the dispatched workers' own dispatching fees were changed or if average dispatching fees for the dispatch worker's affiliated office were changed.

Explanation of compensation/treatment: The act made it obligatory for dispatching companies to provide workers, before signing an employment contract, with information on 1) expected wages and working conditions in the event of employment, 2) the dispatching company's business operations, and 3) an overview of the worker dispatch system.

Consideration of compensation/treatment: When determining a dispatched worker's wages, a dispatching company was required to consider 1) wage levels for workers at client companies performing the same sort of work and 2) dispatched workers' job details, work success, motivation, capabilities, and experience. Dispatching companies were also required to consider equality with client companies in terms of workers' education and training and welfare programs. Client companies were required to cooperate in providing necessary information.

Transitioning to indefinite-term employment: If so requested by a dispatched worker on fixed-term employment (whose employment period totaling one year or more), a dispatching company is required to adopt one of three measures: 1) provide the worker with opportunities for indefinite-term employment, 2) promote direct employment at client companies through employment placement dispatching ("temporary to permanent"), or 3) provide education and training to promote the worker's transition to indefinite-term employment.

Measures to be taken when the destination workplace cancels a dispatch contract: To prevent dispatched workers from becoming unemployed if a client company cancels a worker dispatching agreement mid-term, measures must be put in place that require client companies who cancel mid-contract to secure new work opportunities for dispatched workers or provide them with leave payment.

The 2012 revisions also prohibit day labor dispatch (with exemptions for people aged 60 or older), prohibit re-employment of a worker within one year of terminating his/her employment (to prevent effectively reducing working conditions by transitioning to a dispatched worker), and set an 80% restriction on dispatching to group companies (a restriction limiting the ability of an HR dispatching company to dispatch personnel to other companies within its corporate group).

Revised in 2015

Revisions in 2015 1) eliminated the distinction between General Worker Dispatching Undertaking (requiring licenses) and Specific Worker Dispatching Undertaking (requiring notification only), requiring licenses for all categories of temporary staffing business; 2) changed the time limitation period; 3) introduced employment stabilization measures; 4) provided career advancement measures; and 5) promoted equal treatment.

Changing the time-limitation rule: Until then, the dispatch period for jobs outside the 26 categories indicated above was set at one year (in principle), with a maximum of three years. This revision limited the time a person could be dispatched to a client company to three years, in principle. The change meant that the same worker could be employed in the same office in the same organizational unit of a client company for only three years.

Enacting employment stabilization measures: To maintain employment beyond the three-year dispatch period of a worker expected to be dispatched to the same organizational unit for three years, the dispatching company must put in place employment stabilization measures, such as 1) asking the client company to employ the worker directly, 2) provide a new client company, or 3) itself provide indefinite-term employment.

Introducing career advancement measures: To promote career advancement among the dispatched workers it employs, a dispatching company must 1) offer phased and systematic education and training and 2) provide career consulting to people who wish it.

Promoting equal treatment: If so requested by a dispatched worker, a dispatching company must explain the details of information that considers the equality of pay and working conditions between dispatched workers and workers at client companies in similar positions in terms of 1) setting wages, 2) providing education and training, and 3) offering welfare programs.

Revised in 2020

The Worker Dispatch Law is amended for the purpose of realizing *equal pay for equal work* and is scheduled to go into effect on April 1, 2020. In April 2021, equal pay for equal work went into effect for small- and medium-sized enterprises as well.

Revised in 2021

The obligation to explain to dispatched workers the expected amount of wages and other benefits, and the obligation to handle complaints from dispatched workers, were reinforced. Further, the ban on digital recording of worker dispatch contracts was lifted.

Main competitors

Ticker	Company	Latest FY results					Business description
		Revenue (JPYmn)	3-year CAGR	Operating profit	ROE	ROA	
6569	Nisso Corporation	90,827	6.6%	2,268	11.5%	8.2%	A major in worker staffing and subcontracting services, covering automobile, electric machinery, and precision machinery industries; also operates nursing homes and other facilities
2427	Outsourcing	689,777	24.1%	21,987	14.0%	4.5%	Mainly operates staffing and subcontracting services for production lines at factories; also operates engineer staffing and overseas services.
2146	UT Group	170,631	19.0%	8,914	18.0%	13.0%	A major in worker staffing and subcontracting services, covering semiconductor and automobile industries
2162	nms Holdings	79,033	8.1%	1,537	19.5%	3.9%	A medium-sized company operating staffing and subcontracting services for manufacturing industry; operates contract manufacturing and repair services at factories in Japan and overseas
2429	World Holdings	183,640	10.4%	8,929	16.0%	8.1%	Mainly operates staffing and subcontract services for manufacturing companies; also operates engineer and researcher staffing and sales of land and condominiums in large cities
7087	Wiltec	33,231	10.2%	991	9.3%	9.2%	Has three pillars including staffing and subcontracting services for manufacturing, staffing of construction technicians, and electronics manufacturing service (EMS); supports technical students from colleges outside Japan
7781	Hirayama Holdings	27,978	10.3%	692	12.1%	9.2%	Mainly covers on-site subcontracting, staffing, and recruiting services for manufacturing companies; also operates in Thailand and Vietnam

Source: Shared Research based on each company data
Note: HIrayama Holdings has a June fiscal year-end, World Holdings December, and others March

Outsourcing (TSE Prime: 2427)

A major temporary staffing/outsourcing company in the technical field. In the mainstay automotive field, Outsourcing provides under contract a diverse range of services, including R&D project support and engine performance testing, and also engages in contract development of racing parts. In addition to outsourcing to manufacturers in Japan, the company outsources domestic technical workers (design and development, experimental and evaluation processes, R&D in medicine and chemistry), domestic service personnel (providing services for US military bases), and operates overseas manufacturing and service businesses, as well as overseas technological businesses. Outsourcing has grown its business in Japan and overseas through proactive M&A. Total capital as of end-FY12/21 was JPY72.5bn, goodwill was JPY86.3bn, and intangible assets were JPY35.5bn).

UT Group (TSE Prime: 2146)

Mainly involved in manufacturing staffing and work contracting in the domestic semiconductor, electronic components, and automotive industries. In addition to the manufacturing business segment, the UT Group has a solutions business segment (dispatch of indefinite-term employees and work contracting services for transfer-type structural reforms targeting large companies) and an engineering business segment (dispatch of software development engineers, construction engineers, and design engineers).

NISSO (6569)	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
Consolidated revenue			47,335	53,533	59,208	69,161	74,966	68,213	77,549	90,827
Gross profit margin			-	16.7%	17.5%	17.7%	17.5%	17.3%	16.7%	16.0%
SG&A expense ratio			-	15.1%	14.5%	13.5%	13.4%	13.5%	14.0%	13.5%
Operating profit margin			-	1.6%	3.0%	4.1%	4.1%	3.8%	2.7%	2.5%
Recurring profit margin			1.9%	1.6%	3.0%	4.2%	4.2%	4.3%	3.1%	2.6%
Net margin			1.0%	0.9%	1.7%	3.0%	2.7%	2.3%	2.2%	1.8%
Debt-to-equity ratio			-	1.50	0.28	0.10	0.07	0.00	0.22	0.17
ROE				11.1%	14.6%	20.7%	18.1%	12.9%	12.9%	11.5%
Equity ratio			26.7%	26.4%	46.9%	50.2%	52.9%	59.0%	49.4%	48.4%
Total asset turnover				3.23	3.18	3.38	3.45	3.09	3.16	3.16
ROA (RP-based)				5.0%	9.6%	14.2%	14.5%	13.4%	9.7%	8.2%
Outsourcing (2427)	**FY12/13**	**FY12/14**	**FY12/15**	**FY12/16**	**FY12/17**	**FY12/18**	**FY12/19**	**FY12/20**	**FY12/21**	**FY12/22**
Consolidated revenue	47,384	59,421	80,871	134,283	230,172	311,311	361,249	365,135	569,325	689,777
Gross profit margin	19.6%	20.1%	20.1%	20.7%	19.9%	20.0%	19.6%	19.3%	18.8%	18.1%
SG&A expense ratio	17.0%	16.8%	16.4%	16.1%	15.1%	15.3%	16.3%	16.6%	15.5%	15.5%

Operating profit margin	2.5%	3.4%	3.8%	4.1%	4.9%	4.7%	4.2%	3.6%	4.2%	3.2%
Recurring profit margin	2.9%	3.7%	3.6%	3.8%	4.5%	4.2%	3.7%	2.1%	2.1%	
Net margin	2.8%	2.9%	3.9%	4.6%	3.3%	2.7%	0.5%	0.2%	1.8%	1.5%
Debt-to-equity ratio	1.36	0.94	0.93	6.18	2.02	1.03	1.73	2.46	2.30	2.37
ROE	24.7%	28.7%	33.7%	63.6%	47.0%	20.8%	3.4%	1.4%	16.1%	14.0%
Equity ratio	26.2%	28.5%	27.3%	8.6%	20.0%	29.7%	24.9%	20.0%	18.7%	19.9%
Total asset turnover	2.77	2.67	2.42	2.02	2.14	2.00	1.70	1.35	1.74	1.84
ROA (RP-based)	7.9%	9.9%	8.7%	7.6%	9.7%	8.4%	6.3%	2.9%	3.7%	4.5%
UT Group (2146)	**FY03/14**	**FY03/15**	**FY03/16**	**FY03/17**	**FY03/18**	**FY03/19**	**FY03/20**	**FY03/21**	**FY03/22**	**FY03/23**
Consolidated revenue	30,779	36,479	44,050	57,588	81,751	101,103	101,191	115,131	156,769	170,631
Gross profit margin	17.6%	18.5%	19.9%	19.9%	19.6%	20.5%	19.8%	18.8%	17.7%	19.4%
SG&A expense ratio	11.7%	12.4%	14.3%	14.0%	13.2%	12.5%	11.8%	12.5%	13.7%	14.2%
Operating profit margin	5.9%	6.1%	5.6%	5.9%	6.4%	8.0%	7.9%	6.2%	4.0%	5.2%
Recurring profit margin	5.7%	5.9%	5.5%	5.8%	6.4%	8.1%	8.0%	6.2%	3.8%	5.2%
Net margin	3.0%	3.2%	3.4%	3.5%	4.3%	4.9%	4.5%	3.7%	2.0%	2.2%
Debt-to-equity ratio	1.77	1.95	1.72	1.39	0.86	0.43	0.59	0.61	1.01	0.72
ROE	32.1%	35.3%	39.3%	41.9%	48.6%	45.5%	32.5%	25.3%	16.2%	18.0%
Equity ratio	25.7%	21.4%	23.9%	24.2%	30.1%	38.2%	41.0%	36.2%	30.8%	31.8%
Total asset turnover	2.99	2.56	2.62	2.86	3.09	3.19	2.89	2.59	2.69	2.51
ROA (RP-based)	17.1%	15.1%	14.4%	16.6%	19.8%	25.7%	23.2%	16.2%	10.2%	13.0%
nms Holdings (2162)	**FY03/14**	**FY03/15**	**FY03/16**	**FY03/17**	**FY03/18**	**FY03/19**	**FY03/20**	**FY03/21**	**FY03/22**	**FY03/23**
Consolidated revenue	41,905	49,245	62,180	54,581	54,172	57,759	62,611	54,856	63,277	79,033
Gross profit margin	8.8%	11.8%	13.6%	13.0%	14.4%	13.8%	12.9%	12.3%	10.6%	11.1%
SG&A expense ratio	10.3%	10.8%	10.5%	11.2%	12.0%	12.8%	11.4%	11.0%	11.2%	9.2%
Operating profit margin	-1.5%	1.0%	3.1%	1.8%	2.4%	0.9%	1.5%	1.3%	-0.6%	1.9%
Recurring profit margin	-0.4%	1.5%	2.2%	1.0%	2.8%	1.0%	0.9%	0.3%	0.2%	1.8%
Net margin	1.5%	1.2%	0.6%	0.9%	2.2%	0.7%	0.4%	-1.3%	-3.1%	0.6%
Debt-to-equity ratio	1.60	2.71	2.32	2.61	1.93	2.55	2.88	3.80	8.10	9.25
ROE	15.5%	12.2%	7.6%	10.1%	22.8%	7.2%	4.8%	-14.0%	-53.7%	19.5%
Equity ratio	23.7%	17.1%	19.5%	18.9%	21.8%	19.5%	17.4%	14.9%	7.7%	6.4%
Total asset turnover	2.18	2.09	2.31	2.15	2.12	2.06	1.99	1.69	1.91	2.14
ROA (RP-based)	-0.9%	3.1%	5.0%	2.2%	5.9%	2.0%	1.7%	0.5%	0.4%	3.9%
World Holdings (2429)	**FY12/13**	**FY12/14**	**FY12/15**	**FY12/16**	**FY12/17**	**FY12/18**	**FY12/19**	**FY12/20**	**FY12/21**	**FY12/22**
Consolidated revenue	56,450	68,829	87,984	94,334	127,147	142,894	136,319	143,571	154,704	183,640
Gross profit margin	18.7%	19.0%	19.9%	22.3%	19.9%	19.4%	19.3%	17.4%	17.2%	17.3%
SG&A expense ratio	15.0%	13.6%	14.1%	14.4%	14.3%	14.3%	15.8%	13.1%	12.4%	12.4%
Operating profit margin	3.8%	5.4%	5.8%	7.9%	5.6%	5.2%	3.5%	4.4%	4.8%	4.9%
Recurring profit margin	3.8%	5.4%	5.8%	7.7%	5.5%	5.1%	3.5%	4.7%	5.0%	4.9%
Net margin	1.5%	2.9%	4.3%	4.4%	3.6%	3.3%	2.2%	4.1%	3.0%	2.9%
Debt-to-equity ratio	2.54	3.18	2.90	2.98	2.41	1.78	1.60	1.02	1.25	1.58
ROE	14.6%	30.3%	41.8%	33.5%	28.8%	23.9%	13.5%	23.1%	15.4%	16.0%
Equity ratio	18.7%	16.1%	19.2%	19.4%	22.3%	26.3%	25.9%	36.1%	32.4%	28.7%
Total asset turnover	2.08	1.80	1.72	1.45	1.66	1.79	1.63	1.72	1.75	1.66
ROA (RP-based)	8.0%	9.7%	10.0%	11.3%	9.1%	9.2%	5.7%	8.2%	8.8%	8.1%
Willtec (7087)	**FY03/14**	**FY03/15**	**FY03/16**	**FY03/17**	**FY03/18**	**FY03/19**	**FY03/20**	**FY03/21**	**FY03/22**	**FY03/23**
Consolidated revenue	-	-	-	-	20,002	22,900	24,801	25,278	29,971	33,231
Gross profit margin					-	13.6%	14.9%	14.3%	13.0%	14.1%
SG&A expense ratio					-	9.9%	10.4%	12.6%	11.7%	11.1%
Operating profit margin					-	3.7%	4.6%	1.7%	1.3%	3.0%
Recurring profit margin					5.0%	4.1%	4.7%	4.9%	2.2%	3.4%
Net margin					3.7%	2.8%	3.1%	3.1%	1.0%	2.0%
Debt-to-equity ratio					0.37	0.29	0.16	0.18	0.10	0.07
ROE					18.2%	14.8%	14.0%	11.9%	4.3%	9.3%
Equity ratio					45.0%	48.2%	56.5%	56.0%	57.8%	57.6%
Total asset turnover					2.20	2.43	2.39	2.17	2.49	2.72
ROA (RP-based)					10.9%	10.0%	11.3%	10.7%	5.4%	9.2%
Hirayama Holdings (7781)	**FY06/14**	**FY06/15**	**FY06/16**	**FY06/17**	**FY06/18**	**FY06/19**	**FY06/20**	**FY06/21**	**FY06/22**	**FY06/23**
Consolidated revenue	8,251	8,995	9,748	11,643	13,593	20,841	22,970	23,043	27,978	
Gross profit margin	-	-	15.8%	13.8%	15.5%	16.4%	16.4%	17.4%	17.2%	
SG&A expense ratio	-	-	14.4%	13.4%	13.9%	15.4%	14.7%	15.1%	14.7%	
Operating profit margin	-	-	1.3%	0.3%	1.6%	1.0%	1.7%	2.3%	2.5%	
Recurring profit margin	3.9%	4.2%	0.7%	0.8%	1.6%	1.2%	1.7%	2.8%	2.8%	
Net margin	2.2%	2.2%	0.1%	1.3%	2.6%	1.8%	1.3%	1.8%	1.5%	
Debt-to-equity ratio	0.73	0.43	0.18	0.53	0.32	0.45	0.31	0.19	0.07	
ROE	15.2%	14.0%	0.8%	6.8%	14.8%	13.8%	10.5%	13.6%	12.1%	
Equity ratio	31.6%	36.9%	47.5%	40.2%	41.0%	35.7%	38.9%	39.0%	41.1%	
Total asset turnover	2.29	2.22	2.28	2.35	2.35	3.01	3.05	2.96	3.31	
ROA (RP-based)	9.0%	9.4%	1.5%	1.8%	3.7%	3.5%	5.3%	8.3%	9.2%	

Source: Shared Research based on company data

Strengths and weaknesses

Strengths

The ability to work with clients in opening up to outsourcing production categories previously handled by directly employed workers: Nisso works closely with client companies (manufacturers) to form long-term win—win relationships and expand fields open to outsourcing. In the past, only directly hired employees were permitted to handle processing and assembly work on main manufacturing lines or facility maintenance. Nisso's efforts have encouraged clients to allow outsourcing in such areas as well. Nisso provides education and training to give dispatched staff the skills they need to handle these tasks. This arrangement helps clients trim excessive fixed labor costs. Nisso, meanwhile, disperses the risk of fixed costs across multiple clients.

A history and track record that attract job seekers: The company needs to recruit several hundred people each month to meet demand for outsourcing and continue growing. Founded in 1971, Nisso is a leading dispatcher of workers to the manufacturing industry. The company dispatches workers to handle a variety of jobs at more than 700 client companies. Nisso can therefore match dispatched workers to a broad range of potential positions. The company has high visibility among people seeking work in manufacturing. The company launched its recruiting site in 2005, ahead of most competitors, and sources 50–60% of applicants through this site. (The rest arrive from other sites or via other media.)

An expanded education and training system in line with the founding philosophy of "nurturing and bringing out the best in people": The founding philosophy of "nurturing and bringing out the best in people" encapsulates Nisso's focus on training. The company asks clients what skills they require and designs education and training programs to meet these needs. To give workers ample access to training opportunities, Nisso has technical and training centers at eight locations around Japan (as of end-March 2021). More than 7,000 people attend training programs each year (FY03/22). Through training, the company aims to transition fixed-term employees into more skilled, indefinite-term employees who command higher unit rates from client companies. This approach to education, which also offers workers a career path, has helped Nisso raise unit rates.

Weaknesses

Slow to cultivate business in growth areas such as services and IT: The company concentrates management resources on providing workers to the manufacturing industry, and Shared Research understands that Nisso has strong relationships with manufacturing clients as a result. However, personnel demand in Japan is higher in the service and IT industries than in manufacturing. Competitors are expanding their businesses in the fields of design/development and software and growing by accelerating overseas operations. Nisso appears less focused on these growth areas.

Problems with maintaining employment mean education benefits exit the company: When a contract at a client company expires, a dispatching company places a fixed-term or an indefinite-term employee at a different client posting. Many workers choose to leave the company rather than accept the new posting. Reasons include a location too far from home, changes in type of work or position, or different pay or working conditions (applies only to fixed-term employees). The average turnover rate in the manufacture and production HR services was 3.9% (versus target of less than 4%). Nisso is working to boost worker "quality" through education and training, but this investment does not appear sufficient to retain workers. The need to constantly hire new people leads to higher recruitment expenses.

Business sphere shrinking as AI and robotics reduce the need for people at factories: The application of AI and new robotics technologies is reducing the need for workers in some areas. Simple, repetitive work and transport within factories is particularly susceptible. Shared Research understands that workers with sophisticated technical expertise will remain in high demand for the foreseeable future, whereas AI and robotics technologies are likely to reduce the need for people to handle simpler and more repetitive tasks. The company may need to redouble its focus on raising workers' skills.

Historical performance and financial statements

Income statement

Income statement (JPYmn)	FY03/17 Non-cons.	FY03/18 Cons.	FY03/19 Cons.	FY03/20 Cons.	FY03/21 Cons.	FY03/22 Cons.	FY03/23 Cons.
Revenue	**53,533**	**59,208**	**69,161**	**74,966**	**68,213**	**77,549**	**90,827**
YoY	13.1%	10.6%	16.8%	8.4%	-9.0%	13.7%	17.1%
Cost of revenue	44,573	48,835	56,922	61,851	56,426	64,599	76,272
Gross profit	**8,961**	**10,374**	**12,239**	**13,115**	**11,787**	**12,950**	**14,554**
YoY	-	15.8%	18.0%	7.2%	-10.1%	9.9%	12.4%
Gross profit margin	16.7%	17.5%	17.7%	17.5%	17.3%	16.7%	16.0%
SG&A expenses	8,100	8,573	9,370	10,054	9,188	10,863	12,286
YoY	-	5.8%	9.3%	7.3%	-8.6%	18.2%	13.1%
SG&A ratio	15.1%	14.5%	13.5%	13.4%	13.5%	14.0%	13.5%
Operating profit	**860**	**1,801**	**2,869**	**3,061**	**2,599**	**2,087**	**2,268**
YoY	-	109.3%	59.3%	6.7%	-15.1%	-19.7%	8.7%
Operating profit margin	1.6%	3.0%	4.1%	4.1%	3.8%	2.7%	2.5%
Non-operating income	152	158	147	160	487	343	226
Non-operating expenses	179	176	121	72	137	60	145
Recurring profit	**833**	**1,782**	**2,895**	**3,149**	**2,949**	**2,369**	**2,349**
YoY	-5.8%	113.8%	62.5%	8.8%	-6.4%	-19.7%	-0.8%
Recurring profit margin	1.6%	3.0%	4.2%	4.2%	4.3%	3.1%	2.6%
Extraordinary gains	-	-	74	121	-	-	-
Extraordinary losses	-	-	65	155	449	38	-
Income taxes	342	767	849	1,082	907	635	744
Net income	**491**	**1,015**	**2,053**	**2,033**	**1,592**	**1,696**	**1,622**
YoY	6.8%	106.6%	102.3%	-1.0%	-21.7%	6.5%	-4.4%
Net margin	0.9%	1.7%	3.0%	2.7%	2.3%	2.2%	1.8%

Source: Shared Research based on company data

The company derives revenue mostly from dispatching personnel to client companies. Revenue can be calculated as average unit billings per person x number of people dispatched. Cost of revenue comes mostly from the costs of salaries, education, social welfare, and welfare programs for dispatched personnel. SG&A expenses include salaries for sales and administrative personnel, as well as recruitment expenses to attract dispatch workers.

Our analysis focuses on non-consolidated information, as much of Nisso's business is handled by the parent company, and non-consolidated disclosure data (such as revenue by industry) is extensive.

Balance sheet

Balance sheet	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Assets							
Cash and deposits	3,370	5,284	5,633	6,365	5,873	8,779	9,800
Notes and accounts receivable	6,212	6,792	7,757	8,434	8,094	-	
Electronically recorded monetary claims						66	116
Accounts receivable						9,324	10,870
Prepaid expenses	402	454	561	562	566	650	655
Inventories	-	-	-	-	-	-	-
Other	480	223	223	261	280	249	306
Total current assets	**10,464**	**12,753**	**14,174**	**15,622**	**14,813**	**19,068**	**21,747**
Buildings and structures	2,187	2,114	2,033	1,852	1,799	1,771	1,795
Tools, furniture, and fixtures	-	-	-	-	-	-	-
Land	2,776	2,771	2,760	2,738	2,704	2,670	2,670
Construction in progress	-	-	-	-	-	-	-
Other	100	109	149	164	151	137	195
Total tangible fixed assets	**5,063**	**4,994**	**4,942**	**4,754**	**4,654**	**4,578**	**4,660**
Lease assets	215	287	216	121	55	8	1
Goodwill	-	-	-	-	-	970	868
Software	-	-	-	-	-	-	-
Total intangible assets	**318**	**380**	**359**	**377**	**305**	**1,667**	**1,514**
Investment securities	407	380	167	241	263	500	343
Deferred tax assets	287	317	373	474	466	575	765
Other	871	1,045	1,004	1,026	1,130	1,074	1,061
Investments and other assets	**1,565**	**1,743**	**1,544**	**1,741**	**1,859**	**2,149**	**2,169**
Total fixed assets	**6,947**	**7,117**	**6,845**	**6,872**	**6,818**	**8,394**	**8,344**
Total assets	**17,410**	**19,870**	**21,019**	**22,494**	**21,631**	**27,462**	**30,092**
Liabilities							
Notes and accounts payable	-	-	-	-	-	-	-
Short-term debt	3,372	502	183	126	-	501	492
Accrued expenses	3,509	4,331	4,751	4,648	4,541	5,381	6,119
Other	2,155	3,374	4,227	4,505	3,637	4,529	5,576
Total current liabilities	**9,035**	**8,207**	**9,161**	**9,279**	**8,178**	**10,411**	**12,187**
Long-term debt	3,532	2,104	896	691	12	2,510	2,024
Other	242	242	418	629	678	982	1,073
Total fixed liabilities	**3,774**	**2,346**	**1,314**	**1,320**	**690**	**3,492**	**3,097**
Total liabilities	**12,809**	**10,553**	**10,475**	**10,599**	**8,868**	**13,903**	**15,284**
Net assets							
Shareholders' equity	4,392	9,130	10,535	11,974	12,744	13,540	14,563
Accumulated other comprehensive income	209	187	9	-78	18	18	4
Share subscription rights	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	239
Total net assets	**4,602**	**9,318**	**10,544**	**11,895**	**12,763**	**13,559**	**14,807**
Working capital	6,212	6,792	7,757	8,434	8,094	9,324	10,870
Total interest-bearing debt	6,904	2,606	1,079	817	12	3,011	2,516
Net debt	3,534	-2,678	-4,554	-5,548	-5,861	-5,768	-7,284

Source: Shared Research based on company data

The company is effectively debt-free, as cash and deposits exceed interest-bearing debt. When engaging in manufacturing, the company uses clients' production facilities. Operating under this business model, Nisso has few tangible fixed assets even though it is a manufacturing-related company.

Cash flow statement

Cash flow statement	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	1,303	2,752	2,565	1,922	1,672	2,273	2,285
Pre-tax profit	833	1,782	2,904	3,115	2,500	2,331	2,349
Depreciation	220	254	285	303	288	287	278
Impairment losses	-	-	65	152	51	-	-
Amortization of goodwill	-	-	-	-	-	51	107
Change in working capital	-550	-579	-965	-676	339	-1,230	-931
Income taxes	-63	-41	-743	-1,072	-1,244	-889	-720
Other	863	1,336	1,019	100	-262	1,723	1,202
Cash flows from investing activities (2)	236	-102	-	-289	-496	-1,538	-146
Purchase of intangible/tangible fixed assets	-87	-105	-178	-309	-190	-127	-219
Proceeds from sale of intangible/tangible fixed assets	-	-	-	-	3	11	-
Purchase of subsidiaries' shares affecting scope of consolidation						-1,212	-
Other	323	2	178	20	-309	-210	73
Free cash flow (1+2)	1,539	2,650	2,565	1,633	1,176	735	2,139
Cash flows from financing activities	255	-735	-2,215	-901	-1,668	2,164	-1,112
Net change in short-term borrowings	-968	-2,600	-	-	-	-	-
Net change in long-term borrowings	1,453	-1,734	-1,451	-183	-750	2,903	-490
Proceeds from issuance of, and redemption of, bonds	-	-	-	-	-	-	-
Proceeds from issuance of shares	-	3,855	41	12	6	-	1
Purchase of treasury shares	-	-	-342	-	-	-	-
Dividends paid	-166	-148	-348	-620	-845	-682	-611
Other	-65	-109	-115	-110	-79	-57	-12
Net increase (decrease) in cash equivalents	1,794	1,914	350	732	-492	2,899	1,026
Cash equivalents at end of period	3,370	5,284	5,633	6,365	5,873	8,773	9,800
Depreciation and amortization of goodwill(A)	220	254	285	303	288	338	385
Capital expenditures (B)	-87	-105	-178	-309	-187	-116	-219
Change in working capital (C)	-550	-579	-965	-676	339	-1,230	-931
Simple FCF(NI+A+B+C)	417	1,352	2,046	2,433	2,940	1,323	1,584

Source: Shared Research based on company data

Depreciation and goodwill amortization expenses are low, so profit on the income statement is generally in line with cash flow. Under its business model, the company does not invest in manufacturing facilities, so cash flows from investing activities are small.

Profitability and soundness

Profit margins	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(JPYmn)	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Gross profit	8,961	10,374	12,239	13,115	11,787	12,950	14,554
Gross profit margin	16.7%	17.5%	17.7%	17.5%	17.3%	16.7%	16.0%
Operating profit	860	1,801	2,869	3,061	2,599	2,087	2,268
Operating profit margin	1.6%	3.0%	4.1%	4.1%	3.8%	2.7%	2.5%
EBITDA	1,081	2,055	3,154	3,364	2,887	2,425	2,653
EBITDA margin	2.0%	3.5%	4.6%	4.5%	4.2%	3.1%	2.9%
Net margin	0.9%	1.7%	3.0%	2.7%	2.3%	2.2%	1.8%
Financial ratios							
ROA (RP-based)	5.0%	9.6%	14.2%	14.5%	13.4%	9.7%	8.2%
ROE	11.1%	14.6%	20.7%	18.1%	12.9%	12.9%	11.5%
Total asset turnover	3.2	3.2	3.4	3.4	3.1	3.2	3.2
Working capital (JPYmn)	6,212	6,792	7,757	8,434	8,094	9,324	10,870
Current ratio	115.8%	155.4%	154.7%	168.4%	181.1%	183.2%	178.4%
Quick ratio	110.5%	152.7%	152.3%	165.5%	177.7%	180.8%	175.9%
OCF / Current liabilities	28.8%	31.9%	29.5%	20.8%	19.2%	24.5%	20.2%
OCF / Total liabilities	10.2%	26.1%	24.5%	18.1%	18.9%	16.3%	15.0%
Change in working capital	6,212	579	965	677	-340	1,230	1,546

Source: Shared Research based on company data

Historical performance

1H FY03/24 results

Overview

- Revenue: JPY47.4bn (+9.8% YoY; achievement versus revised full-year company forecast: 47.4%)

- Operating profit: JPY965mn (+89.2% YoY; 26.8%)
- Recurring profit: JPY998mn (+71.5% YoY; 27.7%)
- Net income attributable to owners of the parent: JPY625mn (+80.1% YoY; 27.2%)

The company transitioned to a holding company structure on October 2, 2023. The following discussion is about the 1H results for Nisso Corporation, which has been delisted.

Consolidated 1H revenue increased JPY4.2bn (+9.8% YoY) to JPY47.4bn, setting a new record since the company's listing. The progress against the full-year revenue forecast was 47.4%. The breakdown of the revenue rise is as follows: revenue in the General HR Services business grew JPY4.2bn (+10.1% YoY), and in Other businesses grew JPY28mn (+1.9%). The revenue increase in the General HR Services business is due to a higher number of registered workers and an increase in revenue per person per month (monthly average at the parent company). Operations recovered due to easing parts shortages in the automotive industry (auto production and EV-related industries). The consolidated gross profit margin was up 0.4pp from 15.3% in 1H FY03/23 to 15.7%.

Non-consolidated revenue was JPY41.6bn, an increase of JPY2.7bn (+7.0% YoY). The breakdown of the JPY2.7bn revenue rise by industry is as follows: Revenue in automotive was up JPY2.9bn, semiconductor fell JPY619mn, electronics was down JPY564mn, and other was up JPY1.0bn. Despite a recovery in operations in the automotive industry in 1H, revenue in the semiconductor industry has yet to recover due to a delay in the recovery in the production equipment and memory domains. The GPM rose 0.5pp from 15.8% in 1H FY03/23 to 16.3%.

Consolidated operating profit rose 89.2% YoY (+JPY455mn) to JPY965mn, the highest on record since listing. Operating profit in the General HR Services segment was up JPY431mn YoY, while the corresponding indicator in the Other businesses was up JPY26mn YoY. Operating profit at the parent increased JPY367mn (+66.2% YoY). The GPM at the parent rose YoY, while the SG&A ratio improved 0.3pp YoY to 14.1%. The company efficiently allocated SG&A expenses while maintaining hiring costs in line with revenue growth. The parent OPM increased 0.8pp from 1.4% in 1H FY03/23 to 2.2%.

There were no revisions to the full-year earnings forecast. Nisso's operating profit tends to be stronger in 2H, and this trend is expected to be even more pronounced this year, with recovery in the automotive industry expected to gain momentum in 2H. Although a production recovery in the semiconductor sector is expected to be delayed by a quarter, a recovery in the automotive industry will be able to cover this, according to the company.

Segment breakdown

General HR Services business

- Consolidated revenue: JPY45.9bn (+10.1% YoY)
- Consolidated operating profit: JPY923mn (+87.6% YoY)

Revenue in the General HR Services business increased JPY4.2bn YoY to JPY45.9bn. The breakdown of the JPY4.2bn rise reflects a JPY2.4bn increase in manufacturing and production HR services, a JPY331mn increase in engineer HR services, a JPY73mn decrease in administrative HR services, and a JPY1.6bn increase in other HR services.

Revenue from the mainstay General HR Services business increased JPY2.7bn (+7.0% YoY) to JPY41.6bn, and operating profit surged JPY367mn (+66.2% YoY) to JPY921mn. The revenue rise in General HR Services can be attributed to a higher number of registered workers as of end-September 2023, which stood at 16,158, up 428, and an increase in monthly revenue per person (monthly average at the parent) to JPY428,000, up JPY10,000 compared to the same period of the previous year.

The breakdown of the JPY2.7bn revenue rise by industry is as follows: revenue increased JPY2.9bn in the automotive industry but declined JPY619mn in the semiconductor industry. Meanwhile, operations in the electronics industry saw a decrease of JPY564mn, while those in other industries saw an increase of JPY1.0bn. Gross profit was JPY6.8bn, up JPY627mn YoY. The profit rise was due to a JPY427mn increase from higher revenue and a JPY200mn increase from improved profit margin (estimated by Shared Research).

Manufacturing and production HR services (the company, Vector Shinwa)

In manufacturing and production HR services, the company mainly dispatches workers to the manufacturing sector and conducts contract manufacturing. As of end-September 2023, the number of registered workers stood at 14,761, up 361 YoY. Due to efforts to enhance various education programs and communication, the turnover rate improved 0.2pp YoY to 3.9%.

The number of registered workers increased, and the average monthly revenue per person also increased JPY25,000 YoY to JPY428,000.

Shifting from "account strategy" to "industry strategy"
In Q1 FY03/24, the company changed its classification for parent revenue disclosure. Earlier, revenue was reported in "automotive, electronic devices, precision and electrical machinery, and other"; these categories have been renamed as "automotive industry, semiconductor industry, electronics industry, and other." The automotive industry represents the automotive manufacturing and EV-related manufacturing industries, the semiconductor industry the semiconductor manufacturing industry, and the electronics industry the electronic equipment manufacturing industry. Earlier, the company had employed an "account strategy" focusing on the needs of individual customers. However, as industry structures rapidly change amid technological innovation and environmental issues, the company believes it needs to proactively respond to new customer needs by developing specialized human resources for each industry. With this shift of focus, the company hopes to widen the scope of its business and expand its customer base.

- **Automotive industry (automobile and EV-related manufacturing industry)**

Revenue was JPY19.4bn, up JPY2.9bn (17.5%) YoY. In the automotive Industry, the impact of parts shortages moved toward resolution, creating robust personnel needs. For the full year, the company anticipates the automotive industry to offset the impact of delayed recovery in the semiconductor and electronics industries.

Automakers are focusing on EV batteries. The company is keen on securing a competitive edge over competitors by concentrating on EV batteries. However, the current demand for batteries is for hybrid vehicles. As domestic automakers are starting to produce batteries, including those for EVs, the company believes this area will significantly boost its performance in the medium term.

- **Semiconductor industry**

Revenue was JPY6.2bn, down JPY619mn (9.0%) YoY. The company initially anticipated a gradual recovery in the semiconductor industry beginning 2H. However, due to sluggish performance in the manufacturing equipment and semiconductor memory fields, the company believes revenue in this sector bottomed out in 1H and is expected to recover beginning Q4—a quarter later than previously expected.

The company caters to Japan Advanced Semiconductor Manufacturing (JASM) and others in semiconductor production in Kyushu. Both companies plan to launch their second factories by 2027. The company has opened a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture and plans to open an expanded facility in April 2024.

- **Electronics industry**

Revenue was JPY4.7bn, down JPY564mn (10.6%) YoY. Demand for communication equipment was generally sluggish, with a partial recovery. The company expects a gradual recovery in personnel demand based on a recent increase in registrants.

Engineer HR services (the company, Vector Shinwa)

In engineer HR services, the company provides engineer dispatch services, primarily to manufacturing companies, and system engineering services (SES) to expand into high-margin areas. Consolidated revenue was JPY4.3bn (+8.3% YoY, versus -1.3% YoY in 1H). The number of registered workers increased 53 to 1,479. Growth in registered workers slowed down due to decreased production of semiconductor memory and electronics. The turnover rate remained flat YoY at 2.2%. On the other hand, due to a lack of recovery in demand for PCs and communication equipment, which led to decreased working hours, the revenue per person fell JPY39,000 YoY to JPY485,000.

To address the shortage of human resources in semiconductor-related companies, Nisso opened a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture. The company operates training facilities and programs that will further enhance the know-how of its existing training facilities. Following its participation in the Tohoku Semiconductor and Electronics Design Study Group of the Tohoku Bureau of Economy, Trade and Industry (November 2022), the company has also decided to participate in the Chugoku Region Semiconductor-related Industry Promotion Council (November 2022) and Kyushu Semiconductor HR Development Consortium (April 2023). The company opened Nisso Technical Center Kumamoto, a vocational school certified by the governor of Kumamoto Prefecture, in the town of

Otsu. It plans a major expansion of its training facility in Kumamoto in April 2024. In August 2023, the company participated in the Semiconductor Talent Development Promotion Council in Hokkaido.

The company also plans to open training centers for manpower development for manufacturing batteries for EVs and hybrid vehicles and to participate in consortiums. It will focus on building training facilities while negotiating with leading battery manufacturers (from 2H FY03/24 onward).

Administrative HR services (Nisso Brain)

In administrative HR services, the company provides general administrative dispatch and BPO services. Consolidated revenue was down 6.4% YoY to JPY1.1bn. The number of registered staff in this category was 555, down 43 YoY. For FY03/25, the company plans to focus more on providing human resources in high-margin fields than general administrative areas, including foreign talents. It is also committed to promoting diversity and encouraging active participation of people with disabilities and elderly individuals.

Number of registered workers

As of end-September 2023, the total number of registered workers (consolidated) stood at 16,795 (+2.3% YoY). Of these, 14,761 (+2.5% YoY) were in manufacturing and production HR services, 1,479 were in engineer HR services (+3.7% YoY), and 555 were in administrative HR services (-7.2% YoY). As of end-March 2023, the number of registered workers at the parent company increased 428 (+2.7% YoY) to 16,158.

Human resource development

Aiming to provide high-value-added services, the company developed its human resources using nine training facilities nationwide. The number of workers who underwent training, including manufacturing staff and engineers, totaled 9,702.

Revenue per person (monthly average)

Revenue per person on a consolidated basis was JPY428,000/month (+JPY4,000 YoY). By service, revenue per person was JPY428,000/month for manufacturing and production HR services (+JPY15,000/month YoY) and JPY485,000/month for engineer HR services (-JPY39,000/month YoY).

Other businesses (nursing care/welfare services by Nisso Nifty)

- Revenue: JPY1.5bn (+1.9% YoY)
- Operating profit: JPY44mn (-7.2% YoY)

The company provides facility- and home-based care in its nursing care and welfare services. Revenue was up 3.8% YoY. In the facility-based care business, the company used online tours and other means to increase customers, striving to boost the number of residents. The number of residents in its care facilities increased three YoY to 378. The overall occupancy rate of its care facilities remained above 90% at 94.0%.

Q1 FY03/24 results

Overview

- Revenue: JPY23.7bn (+15.4% YoY; achievement versus revised full-year company forecast: 23.7%)
- Operating profit: JPY500mn (+92.9% YoY; 13.9%)
- Recurring profit: JPY511mn (+62.9% YoY; 14.2%)
- Net income attributable to owners of the parent: JPY316mn (+73.8% YoY; 13.7%)

Consolidated Q1 revenue increased JPY3.2bn (+15.4% YoY) to JPY23.7bn, setting a new record since the company's listing. The progress against the full-year revenue forecast is 23.7%. The breakdown of the revenue rise is as follows: the General HR Services business grew JPY3.1bn (+15.8% YoY), and Other businesses grew JPY28mn (+3.8%). The revenue increase in the General HR Services business is due to a higher number of registered workers and an increase in revenue per person per month (monthly average at the parent company) due to a gradual recovery in operations in the automotive industry and an increase in billing prices leading to a rise in per-person revenue. The consolidated gross profit margin was up 0.5pp from 15.2% in Q1 FY03/23 to 15.7%.

Non-consolidated revenue was JPY20.7bn, an increase of JPY1.8bn (+9.2% YoY). The breakdown of the JPY1.8bn revenue rise is as follows: Revenue from automotive was up JPY1.5bn, semiconductor fell JPY120mn, electronics was down JPY362mn, and other was up JPY623mn. In Q4 FY03/23, parts distribution in the automotive industry became smoother. In this Q1, the company saw a YoY revenue increase due to a gradual recovery in operations in the automotive industry. While recovery to normal levels has not yet been achieved, profitability improved at the parent. The GPM rose 0.6pp from 15.6% in Q1 FY03/23 to 16.2%.

Consolidated operating profit rose 92.9% YoY (+JPY241mn) to JPY500mn, the highest on record since listing. Operating profit in the General HR Services segment was up JPY217mn YoY, while the corresponding indicator in the Other businesses was up JPY25mn YoY. Operating profit at the parent increased JPY190mn (+72.2% YoY). Amid a gradual recovery in production in the automotive industry and the COVID-19 pandemic approaching an end, the operating hours of manufacturing staff increased. The GPM at the parent rose YoY, while the SG&A ratio improved 0.1pp YoY to 14.1%. The company efficiently allocated SG&A expenses while maintaining hiring costs in line with revenue growth. The parent OPM increased 0.8pp from 1.4% in Q1 FY03/23 to 2.2%.

There were no revisions to the full-year earnings forecast. Nisso's operating profit tends to be stronger in 2H, and this trend is expected to be even more pronounced this year, with recovery in the automotive industry expected to gain momentum in 2H. The electronics and semiconductor sectors are also expected to recover from 2H. As risk factors, some sectors, such as semiconductors, may not recover as fast as expected. At the same time, recruitment costs may exceed assumptions due to heated competition in the recruiting market due to rising personnel demand in the automotive industry.

Segment breakdown

General HR Services business

- Consolidated revenue: JPY22.9bn (+15.8% YoY)
- Consolidated operating profit: JPY471mn (+85.4% YoY)

Revenue in the General HR Services business increased JPY3.1bn YoY to JPY22.9bn. The breakdown of the JPY3.1bn rise reflects a JPY1.4bn increase in manufacturing and production HR services, a JPY360mn increase in engineer HR services, a JPY42mn decrease in administrative HR services, and a JPY1.4bn increase in other HR services.

Revenue from the mainstay General HR Services business increased JPY1.8bn (+9.2% YoY) to JPY22.9bn, and operating profit surged JPY190mn (+72.2% YoY) to JPY453mn. The revenue rise in General HR Services can be attributed to a higher number of registered workers as of end-June 2023, which stood at 16,132, up 862 (+5.6% YoY), and an increase in monthly revenue per person (monthly average at the parent) to JPY427,000, up JPY17,000 compared to the same period of the previous year.

The breakdown of the JPY1.8bn revenue rise by industry is as follows: in the automotive industry, revenue increased JPY1.5bn (+18.8% YoY) but declined JPY12mn (-0.4% YoY) in the semiconductor industry. Meanwhile, operations in the electronics industry saw a decrease of JPY362mn (-13.4% YoY), and those in other industries saw an increase of JPY623mn (+12.4% YoY). Gross profit was JPY3.4bn, up JPY416mn YoY. The profit rise was due to a JPY273mn increase from higher revenue and a JPY153mn increase from improved profit margin (estimated by Shared Research).

Manufacturing and production HR services (the company, Vector Shinwa)

In manufacturing and production HR services, the company mainly dispatches workers to the manufacturing sector and conducts contract manufacturing. As of end-June 2023, the number of registered workers stood at 14,761, up 643 YoY. Due to efforts to bolster various education curricula and to enhance communication, the turnover rate improved 0.1pp YoY to 3.7%. The number of registered workers increased, and the average monthly revenue per person increased JPY20,000 YoY to JPY427,000.

Shifting from "account strategy" to "industry strategy"

In Q1 FY03/24, the company changed its classification to disclose revenue at the parent company. Earlier, revenue was reported in "automotive, electronic devices, precision and electrical machinery, and other"; this category is now renamed "automotive industry, semiconductor industry, electronics industry, and other." The automotive industry represents the automotive manufacturing and EV-related manufacturing industries, the semiconductor industry the semiconductor manufacturing industry, and the electronics industry the electronic equipment manufacturing industry. Earlier, the company had an "account strategy" focusing on the needs of individual customers. However, as industry structures rapidly change against technological innovation and environmental issues, the company believes it needs to proactively respond to new customer needs by developing specialized human resources for each industry. With this shift of focus, the company hopes to widen the scope of business and expand its customer base.

- **Automotive industry (automobile and EV-related manufacturing industry)**

Revenue was JPY9.5bn, up JPY1.5bn (18.8%) YoY. Although some car manufacturers are returning to normal operations in the automotive industry, the overall recovery has been slow due to ongoing parts shortages, particularly in power semiconductors. The demand for personnel remained steady.

- **Semiconductor industry**

Revenue was JPY3.2bn, down JPY12mn (0.4%) YoY. In the semiconductor industry, inventory adjustments were due to stockpiling in memory and other devices. As a result, demand fell, and revenue was mostly flat YoY. Power semiconductors performed solid despite the sluggishness of semiconductor memory and manufacturing equipment operations. Even so, personnel demand was subdued.

- **Electronics industry**

Revenue was JPY2.3bn, down JPY362mn (13.4%) YoY. Demand for communication equipment was sluggish, and inventory adjustments were made for some electronic components. There was a partial recovery in personnel demand.

Engineer HR services (the company, Vector Shinwa)

In engineer HR services, the company provides engineer dispatch services, primarily to manufacturing companies, and system engineering services (SES) to expand into high-margin areas. Consolidated revenue was JPY2.2bn (+19.8% YoY). The number of registered workers increased 231 to 1,470. Growth in registered workers slowed down due to decreased production of semiconductor memory and electronics. The turnover rate remained flat YoY at 2.3%. On the other hand, due to a lack of recovery in demand for PCs and communication equipment, which led to decreased working hours, the revenue per person fell JPY29,000 YoY to JPY485,000.

To address the shortage of human resources in semiconductor-related companies, Nisso opened a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture. The company operates training facilities and programs that will further enhance the know-how of its existing training facilities. Following its participation in the Tohoku Semiconductor and Electronics Design Study Group of the Tohoku Bureau of Economy, Trade and Industry, the company has also decided to participate in the Chugoku Region Semiconductor-related Industry Promotion Council and Kyushu Semiconductor HR Development Consortium. In addition, it signed a partnership agreement with Interstellar Technologies, Inc., a rocket development venture. Nisso hopes to apply the human resource know-how it has cultivated to the space industry, which is projected to exceed JPY100tn by 2040.

The company has developed its e-learning system to support the growth of its engineer HR services. The new educational content for employees is designed to contribute to manufacturing education and engineer development. After initially using this system for internal training, the company is considering selling it to the general public.

Further, the company will leverage the personnel matching service JOBMINEs™ by Mitsubishi Research Institute Inc. to jointly promote the development and supply of engineering talent, particularly in semiconductor manufacturing. The two companies will aim to eliminate talent mismatch by making engineers' experience in semiconductor manufacturing jobs visible. The company will assess the engineers' experience required in semiconductor manufacturing and promote educational training and counseling. This will be implemented at training bases nationwide, including the Nisso Technical Center Kumamoto (in the town of Otsu, Kikuchi district of Kumamoto Prefecture, opened in April 2023). For personnel supply, they will match engineers' experience with the job requirements of semiconductor manufacturing sites and supply the most suitable talent to businesses.

Administrative HR services (Nisso Brain)

In administrative HR services, the company provides general administrative dispatch and BPO services. In Q1, it carried out recruitment activities, focusing primarily on promotional and customer acquisition activities, but the number of registrants struggled to grow. The number of administrative staff for dispatch on the register was 533, down 47 YoY.

Number of registered workers

As of end-June 2023, the total number of registered workers (consolidated) stood at 16,784 (+5.2% YoY). Of these, 14,761 (+4.6% YoY) were in manufacturing and production HR services, 1,470 were in engineer HR services (+18.6% YoY), and 553 were in administrative HR services (-7.8% YoY). As of end-March 2023, the number of registered workers at the parent company increased 862 (+5.6% YoY) to 16,132. Of the 862, about 60% were allocated to the company's focus industries, with many deployed to the automotive industry.

Human resource development

Aiming to provide high-value-added services, the company developed its human resources using nine training facilities nationwide. The number of workers who underwent training, including manufacturing staff and engineers, totaled 4,680 (-887 YoY).

Revenue per person (monthly average)

Revenue per person on a consolidated basis was JPY427,000/month (+JPY17,000 YoY). By service, revenue per person was JPY427,000/month for manufacturing and production HR services (+JPY20,000/month YoY) and JPY485,000/month for engineer HR services (-JPY29,000/month YoY). Revenue per person grew YoY due to increased unit billings and a gradual recovery in the automotive industry. While the recovery of automotive manufacturers resulted in a YoY increase of JPY17,000, the company believes that operations are at approximately 90% of normal levels. In the semiconductor industry, the situation is such that overtime has been halved, resulting in a YoY decrease in revenue per engineer.

Turnover

The employee turnover for manufacturing and production HR services was 3.7% (-0.1pp YoY). The company hopes to keep it at 4.0% or less.

Other businesses (nursing care/welfare services by Nisso Nifty)

- Revenue: JPY765mn (+3.8% YoY)
- Operating profit: JPY30mn (+470.8% YoY)

The company provides facility- and home-based care in its nursing care and welfare services. Revenue was up 3.8% YoY. In the facility-based care business, the company used online tours and other means to increase customers, striving to boost the number of residents. The number of residents in its care facilities increased 11 YoY to 380. The overall occupancy rate of its care facilities has been maintained above 90% at 94.5%.

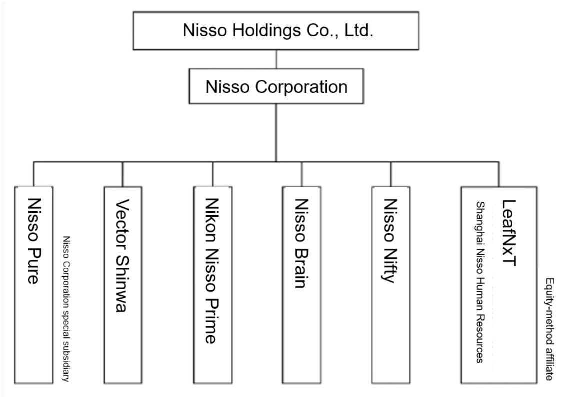
Topics

Transition to a pure holding company structure

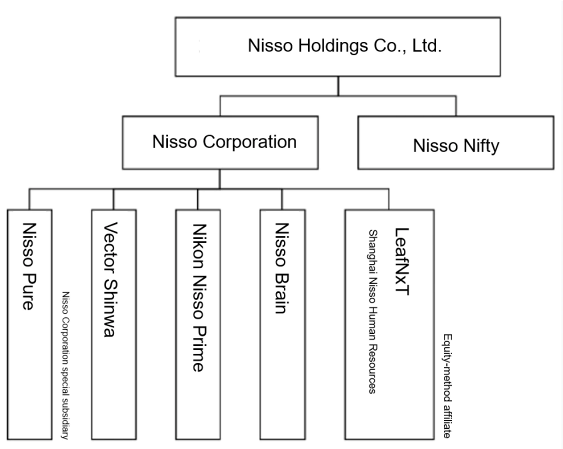
The company decided at its board meeting on May 18, 2023, and a general shareholders meeting on June 28, 2023, to establish a pure holding company, Nisso Holdings Co., Ltd., through a split (sole stock transfer), effective October 2, 2023 (scheduled). As a result of the stock transfer, the company will become a wholly-owned subsidiary of the holding company, and the company's stock will be delisted (scheduled for September 28, 2023). The holding company plans to list on the Prime Market of the Tokyo Stock Exchange (scheduled for October 2, 2023).

Steps toward a pure holding company structure

Step 1: Establish a pure holding company through stock transfer (scheduled for October 2, 2023)



Step 2: Move Nisso Nifty, a subsidiary of Nisso Corporation, directly under the holding company



Source: Company materials

Background and objective

As technological innovation and globalization progress, the needs of customers and workers are diversifying, and the business environment surrounding the company is rapidly changing, as can be seen in the advancement of Society 5.0. For the group to accelerate further growth, the company judged it necessary to speed up decision-making in each business unit, carry out strategic and agile M&As, capital and business alliances, and create new services to be the next business pillar. To this end, the company decided to transition to a pure holding company structure.

Transition to a company with an Audit & Supervisory Committee

Following a general meeting of shareholders on June 28, 2023, the company will transition from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. By establishing an Audit & Supervisory Committee, which is responsible for auditing the execution of duties by directors, a constituent of the Board of Directors, the company aims to strengthen the Board's audit and supervision functions and further enhance corporate governance. The transition to a company with an Audit & Supervisory Committee is being carried out with the assumption that the company will transition to a pure holding company structure. The company decided that there are many advantages to this transition, such as enhanced supervision and functional operation of the board of directors.

FY03/23 full-year results

Overview

- Revenue: JPY90.8bn (+17.1% YoY; achievement versus revised full-year company forecast: 99.8%)
- Operating profit: JPY2.3bn (+8.7% YoY; 103.1%)
- Recurring profit: JPY2.3bn (-0.8% YoY; 102.1%)
- Net income attributable to owners of the parent: JPY1.6bn (-4.4% YoY; 108.1%)

In FY03/23, the company posted an increase in revenue but a decrease in profit YoY. Revenue was JPY90.8bn (+JPY13.3bn, +17.1% YoY), operating profit was JPY2.3bn (+JPY181mn, +8.7% YoY), recurring profit was JPY2.4bn (-JPY20mn, -0.8% YoY), and net income attributable to owners of the parent was JPY1.6bn (-JPY74mn, -4.4% YoY). Revenue was the highest on record since the company stock listing. The achievement rate versus the full-year forecast was 99.8% for revenue and 103.1% for operating profit.

The JPY13.3bn revenue growth broke down to YoY increases of JPY13.2bn (+17.7% YoY) in the General HR Services business and JPY68mn (+2.3% YoY) in Other businesses. The JPY13.2bn growth in the General HR Services business, the core business for Nisso (parent), reflected increases of JPY6.7bn for manufacturing and production HR services, JPY3.0bn for engineer HR services, and JPY3.8bn for other HR services, offsetting a decrease of JPY168mn for admin HR services. The revenue growth in this business resulted from increases in the number of registered workers at the parent and in unit billings. The number of registered workers in the General HR Services business at end-March 2023 totaled 15,998, up 1,053 versus end-FY03/22, and monthly revenue per person (parent only; monthly average conversion) was up JPY11,000 YoY to JPY426,000. While parts shortages continued to have an impact on the automotive sector, manpower utilization slowly recovered, leading to a recovery in earnings. The consolidated gross profit margin fell to 16.0%, down 0.7pp from 16.7% in FY03/22.

In Q4, the supply and distribution of parts improved in the automotive sector. Profitability at the parent improved, although not yet back to the usual level. GPM was 17.6%, up 0.3pp from 17.3% in Q3. The company operated its business with an emphasis on securing profitability rather than building up revenue, by prioritizing dispatching staff to key clients (account companies).

Meanwhile, SG&A expenses were up JPY1.4bn (+13.1% YoY) to JPY12.3bn, driven by an increase in registered workers. The SG&A ratio was down 0.5pp YoY to 13.5%. Nisso was able to reign in SG&A expenses by efficiently investing in recruitment at the parent.

Operating profit rose JPY181mn (+8.7% YoY) to JPY2.3bn. The growth here reflected profit increases of JPY170mn in General HR Services and JPY12mn in Other businesses. While paid vacations and compensation for lost workdays increased due to the impact of the COVID-19 pandemic and sluggish utilization caused by parts shortages, the profit-dragging impact here was offset by revenue growth. OPM was 2.5%, down 0.2pp from 2.7% in FY03/22. OPM rose in line with the increase in worker utilization.

Segment breakdown

General HR Services business

- Revenue: JPY87.8bn (+17.7% YoY)
- Operating profit: JPY2.2bn (+8.3% YoY)

At the parent, which makes up the core of the General HR Services business, revenue was up JPY9.1bn YoY (+12.7% YoY) to JPY80.8bn, SG&A expenses increased JPY955mn (+9.3% YoY), and operating profit was up JPY153mn YoY (+7.2% YoY) to JPY2.3bn. Revenue was up JPY4.8bn (+15.0% YoY) to JPY36.4bn for automobiles, up JPY2.6bn (+11.9% YoY) to JPY24.5bn for electronic devices, up JPY852mn (+10.2% YoY) to JPY9.2bn for precision and electrical machinery, and up JPY847mn (+8.6% YoY) to JPY10.7bn for others.

In the automotive industry, while semiconductor and parts shortages continued to have an impact, worker utilization gradually recovered, leading to revenue growth. Meanwhile, in the electronic device industry, growth stalled due to inventory adjustments for semiconductor memory devices and a slight slowdown in the manufacture of electronic components other than semiconductors, primarily for telecommunications equipment.

Gross profit was up JPY1.1bn YoY to JPY13.4bn. Revenue growth provided a JPY1.6bn boost to gross profit, while the decline in profitability had a negative impact of JPY453mn (Shared Research estimates). The GPM was down 0.6pp YoY from 17.2% in FY03/22 to 16.6%.

Manufacture and production HR services (the company, Vector Shinwa)

- Automotive

Revenue was JPY36.4bn, up JPY4.8bn YoY (+15.0% YoY), the highest level on record since the company listed on the stock market, owing to an increase in the number of registered workers and unit billings. While semiconductors and other parts shortages continued to have an impact, revenue grew on the back of a gradual recovery in manpower utilization. The company says that utilization had recovered to 90% of the normal level as of Q4.

- Electronic devices

Revenue was JPY24.5bn, up JPY2.6bn YoY (+11.9% YoY). Revenue increased on the back of higher unit billings, but growth slowed as PC and telecommunications device manufacturers were affected by the impact of inventory adjustments for semiconductor memory devices. That being said, revenue was at a record high since the company's stock listing.

- Precision and electrical machinery

Revenue was JPY9.2bn, up JPY852mn YoY (+10.2% YoY), due to a modest but steady increase in registered workers.

- Key accounts

In the fields of manufacturing dispatching and manufacturing contracting, revenue from key account groups rose 4.9% YoY to JPY35.1bn (a new record high). Revenue grew due to an increase in the number of workers, mainly in automobile and semiconductor-related manufacturing, and an increase in unit billings. As for auto groups, although a drop in utilization (number of days and overtime/holiday hours) caused by parts shortages continued to have a lingering impact, utilization gradually recovered. In the electronic device groups, demand for electronic components and semiconductor memory devices continued to decline. An increase in non-account clients also contributed to a decline in revenue from key account groups to 42.1%, down 4.0pp from 46.1% YoY.

Engineer HR services (the company, Vector Shinwa)

Revenue was JPY8.6bn, up 52.2% YoY, due to an increase in the number of registered workers and unit billings. The number of registered workers was 1,517, a YoY increase of 412. The company has previously focused on dispatching engineers mainly to the semiconductor domain, but the number of registered workers was flat YoY.

To address the shortage of human resources in semiconductor-related companies, Nisso opened a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture. The company operates training facilities and programs that will further enhance the know-how of its existing training facilities. Following its participation in the Tohoku Semiconductor and Electronics Design Study Group of the Tohoku Bureau of Economy, Trade and Industry, the company has also decided to participate in the Chugoku Region Semiconductor-related Industry Promotion Council and Kyushu Semiconductor HR Development Consortium. In addition, it signed a partnership agreement with Interstellar Technologies, Inc., a rocket development venture. Nisso hopes to apply the human resource know-how it has cultivated to the space industry, which is projected to exceed JPY100tn by 2040.

Revenue per person (monthly average)

Revenue per person on a consolidated basis was JPY426,000/month (+JPY11,000 YoY). By service, revenue per person was JPY422,000/month for manufacturing and production HR services (+JPY11,000/month YoY) and JPY518,000/month for engineer HR services (+JPY4,000/month YoY). Revenue per person grew YoY, due to an increase in unit billings and a gradual recovery in utilization in the automotive industry. While revenue per person was up JPY11,000 YoY, the company had expected it to be higher. In FY03/23, monthly overtime per employee was 19.6 hours, down 2.8 hours from 22.4 hours in FY03/22. Despite the decline in overtime work, revenue grew, owing to higher unit billings (up about JPY100).

Number of registered workers

As of end-March 2023, the total number of registered workers was 16,708 (+6.4% YoY). Of this number, 14,586 (+4.7% YoY) were in manufacturing and production HR services, 1,517 (+37.3% YoY) were in engineer HR services, and 605 (-9.6% YoY) were in admin HR services.

On a non-consolidated basis, the number of registered workers as of end-March 2023 stood at 15,998 (+7.0% YoY; +1,053 from end-FY03/22). The increase here was supported by robust personnel demand. A decline of 113 workers versus end-Q3 is attributed to an increase in resignations at the fiscal year-end. The number of registered workers temporarily declined versus end-Q3, due to the impact of inventory adjustments for electronic components and semiconductor memory devices, and the company says that the number was essentially flat QoQ.

Turnover

The employee turnover rate for manufacturing and production HR services was 3.9%, flat YoY. The company hopes to keep it at 4.0% or less. The turnover rate for engineer HR services was also low, at 2.1%, but increased 0.2pp from 1.9% in FY03/22.

Other businesses (nursing care/welfare businesses)

- Revenue: JPY3.0bn (+2.3% YoY)
- Operating profit: JPY48mn (+31.9% YoY)

Revenue increased 2.3% YoY. The overall occupancy rate of nursing care facilities has been maintained above 90% at 94.5%.

Topics

- Nikon Nisso Prime Corporation became a consolidated subsidiary: Nikon Nisso Prime was an equity-method affiliate but became a consolidated subsidiary on July 1, 2022, after the company acquired additional equity interest (voting rights ratio: 51.0%).

- Signed a basic agreement with Doctors Co., Ltd. for a capital and business alliance: Leveraging the strengths and know-how of both the company and Doctors, the two companies will create a new service ("Medicine, People, Work") that utilizes digital health programs and technologies.

- Start consideration of transition to holding company structure (plan to transition in FY03/24): Restructure the group with an emphasis on management efficiency to respond flexibly to the diversifying needs of customers and workers and changes in the business environment.

- Formulation of Nisso Group slogan: New brand message, "Making workers happy," created. This expresses the Nisso Group's desire to continue to be a warm *place to belong* where people can discover their own value, grow, and realize their hopes and dreams through *work*.

Cumulative Q3 FY03/23 results

Overview

- Revenue: JPY67.2bn (+17.9% YoY; progress versus revised full-year company forecast: 73.8%)
- Operating profit: JPY1.4bn (-0.6% YoY; 63.5%)
- Recurring profit: JPY1.5bn (-5.9% YoY; 65.3%)
- Net income attributable to owners of the parent: JPY937mn (-9.6% YoY; 62.5%)

Cumulative Q3 FY03/23 posted an increase in sales but a decrease in profit YoY. Revenue was JPY67.2bn (+JPY10.2bn, +17.9% YoY), operating profit was JPY1.4bn (-JPY8mn, -0.6% YoY), recurring profit was JPY1.5bn (-JPY94mn, -5.9% YoY), and net income attributable to owners of the parent was JPY937mn (-JPY99mn, -9.6% YoY). Recruitment investment, advertising expenses, and salary leave compensation ballooned through 1H FY03/23, but operating profit recovered to the level of 1H FY03/22 due to constraining SG&A expenses in Q3 FY03/23. The progress rate relative to full-year company forecast was 73.8% for revenue and 63.5% for operating profit.

The JPY10.2bn revenue increase breaks down into an increase of JPY10.2bn in the General HR Services business and a JPY31mn increase in Other businesses over cumulative Q3 FY03/22. The increase of JPY10.2bn in the General HR Services business, the core business for Nisso (parent), breaks down into an increase of JPY5.6bn for manufacturing and production HR services, an increase of JPY2.3bn for engineer HR services, a decrease of JPY120mn for admin HR services, and an increase of JPY2.5bn for other HR services. The revenue increase in this business resulted from increases in the number of registered workers at the parent and in unit billings.
The number of registered workers in the General HR Services business at end-December 2022 totaled 16,111, up 1,166 versus end-FY03/22, and monthly revenue per person (parent only; monthly average conversion) was up JPY13,000 YoY to JPY425,000. While the effects of reduced operations due to component shortages, such as semiconductor shortages in the automotive sector, remain, operations are slowly recovering. The consolidated gross profit margin fell to 15.7%, down 1.0pp from 16.7% in Q1 FY03/22.

Meanwhile, SG&A expenses were up JPY1.1bn (+13.5% YoY) to JPY9.2bn, with the increase in registered workers. Nisso was able to constrain SG&A expenses in Q3 FY03/23 by efficiently investing in recruitment at the parent. The SG&A expenses to sales ratio in Q3 was 12.9%, down 1.3pp YoY (vs down 0.5pp in cumulative Q3 to 13.7%).

Operating profit declined by JPY8mn YoY (-0.6% YoY) to JPY1.4bn. By segment, operating profit was down JPY13mn YoY (-0.9% YoY) in General HR Services to JPY1.4bn and up JPY5mn YoY in Other businesses to JPY40mn (+14.0% YoY). Operating profit for General HR Services continued to decrease YoY after Q2 FY03/22, but turned to increase YoY during Q3. Operating profit (on a cumulative basis) recovered to the level of Q3 FY03/22. OPM (for Q3 FY03/23) was 3.7%, up 0.8pp from 2.9% in Q3 FY03/22. OPM increased in line with the increase in worker utilization.

The full-year earnings forecast has been revised in line with the financial results for Q3. The revised forecast calls for revenue of JPY91.0bn (+JPY2.4bn versus previous projection), operating profit of JPY2.2bn (-JPY500mn), and recurring profit of JPY2.3bn (-JPY400mn), and net income of JPY1.5bn (-JPY300mn YoY).

The previous forecast assumed that production activity would recover in the course of time despite the effects of COVID-19. However, in the automobile-related sector, the impact of production adjustments caused by shortages of semiconductors and other components continues. In regard to electronic devices, there is a strong sense of oversupply of memory, leading to a lull in production activity. The company therefore lowered its profit projections from the operating line down.

Segment breakdown (parent)

General HR Services business

- Revenue: JPY64.9bn (+18.6% YoY)
- Operating profit: JPY1.4bn (-0.9% YoY)

At the parent, which makes up the core of the General HR Services business, revenue was up JPY7.4bn YoY (+14.0% YoY) to JPY60.0bn, SG&A expenses increased JPY771mn (+10.1% YoY), and operating profit was down JPY30mn YoY (-2.1% YoY) to JPY1.4bn. Broken down by industry, revenue was up JPY3.7bn (+16.0% YoY) to JPY26.6bn for automobiles, up JPY2.5bn (+15.4% YoY) to JPY18.7bn for electronic devices, up JPY546mn (+8.7% YoY) to JPY6.8bn for precision and electrical machinery, and up JPY625mn (+8.5% YoY) to JPY7.9bn for others.

Gross profit was up JPY741mn YoY to JPY9.8bn. The effect of increased revenue was +JPY1.3bn, and the effect of the profit ratio was -JPY522mn (Shared Research estimates).
Although there still are effects from the decrease in operations (number of work days and overtime/holiday hours) due to parts shortages, such as the semiconductor shortage in the automobile industry, operation are gradually recovering. GPM was 16.3%, down 0.9pp from 17.2% in Q3 FY03/22, but up 0.5pp from 15.8% in 1H.

Operating profit for cumulative Q3 FY03/23 was JPY1.4bn, down JPY30mn (-2.1% YoY).
In past years, Nisso's operating profit ratio has been a cruising speed of 1H:2=1:2, but this year, it expects a ratio of 1H:2=1:3.In cumulative Q2, SG&A expenses increased mainly due to recruiting and advertising costs, as the company continued to invest in recruiting to meet the continuing high demand for external human resources and advertising expenses increased for promotion of the company's website. The provision of salary leave compensation to curb the turnover of registered workers, staff, etc. also increased costs. In Q3 FY03/23, operating profit increased by JPY279mn (+49.3% YoY) to JPY845mn due to a gradual recovery in operations and constraining of SG&A expenses.

Revenue trends by industry

- Automotive

Revenue was JPY26.6bn, up JPY3.7bn YoY (+16.0% YoY), with this increase due to an increase in the number of registered workers and unit billings.
Manpower utilization, which had been declining due to the shortage of semiconductors and components, has begun to recover gradually. Revenue reached a record high in cumulative Q3.

Looking at the status of manpower utilization (overtime hours) of workers sent to auto-body manufacturers, 25 hours a month per person is the norm, but overtime hours actually worked in cumulative Q2 FY03/23 were in fact 19 hours a month per person, which is 6 hours short of the norm. On the other hand, because the company is utilizing upfront expenses for the likes of promotion of its website and providing benefits to new personnel, recovery of the costs was delayed due to the lack of recovery in the utilization rate. In Q3 FY03/23, operations recovered moderately, although the impact of reduced capacity utilization due to parts shortages and other factors remained.

- Electronic devices

Revenue was JPY18.7bn, up JPY2.5bn (+15.4% YoY). In addition to a decrease in demand for PC and components for telecommunications equipment, some demand for semiconductors declined, but an increase in the number of registered workers and higher unit billings led to an increase in revenue YoY, reaching a record high in cumulative Q3.

- Precision and electrical machinery

Revenue was JPY6.8bn, up JPY546mn (+8.7% YoY) due to a modest but steady increase in registered workers.

- Key accounts

In the fields of manufacturing dispatching and manufacturing contracting, revenue from key account groups rose 6.7% YoY to JPY26.3bn (a new record high). Sales increased due to an increase in the number of employees, mainly from automobile and semiconductor-related manufacturers, and an increase in unit billings. As for auto groups, the effects of decreased operations due to shortages of parts including semiconductors remain. In addition to a decrease in demand for PC and components for telecommunications equipment, some demand for semiconductors declined in electronic devices groups. An increase in non-account clients also contributed to a decline in revenue from key account groups to 43.9%, down 3.0pp from 46.9% YoY (the share in Q3 decreased 4.0pp to 42.7% compared with Q3 FY03/22).

Engineer HR services

Revenue was JPY6.3bn in cumulative Q3, up 57.7% YoY due to an increase in the number of registered workers and unit billings. The number of registered workers was 1,542, an increase of 560 from cumulative Q3 FY03/22. The company is focusing on growth of its engineer HR services, particularly in the field of semiconductors. The number of workers increased due to promotion of the career leap to engineering positions and strengthening of new hires.

To address the shortage of human resources in semiconductor-related companies, Nisso plans to open a semiconductor training center in the town of Otsu in the Kikuchi district of Kumamoto Prefecture (in April 2023). The company plans to operate training facilities and programs that will further enhance the know-how of its existing training facilities. Following its participation in the Tohoku Semiconductor and Electronics Design Study Group of the Tohoku Bureau of Economy, Trade and Industry, the company has also decided to participate in the Chugoku Region Semiconductor-related Industry Promotion Council. In addition, it signed a partnership agreement with Interstellar Technologies, Inc., a rocket development venture. Nisso hopes to apply the human resource know-how it has cultivated to the space industry, which is projected to exceed JPY100tn by 2040.

Revenue per person (monthly average)

Revenue per person was JPY425,000/month (+JPY13,000 YoY). By service, revenue per person was JPY421,000/month for manufacturing and production HR services (+JPY13,000/month YoY), and JPY524,000/month for engineer HR services (+JPY12,000/month YoY).

Number of registered workers

On a non-consolidated basis, the number of registered workers as of end-December 2022 stood at 16,111 (+9.5% YoY; +1,166 workers compared to end-FY03/22; a new record high). The number of employees increased in response to recovery production related to automobiles and strong demand for semiconductors. The number of registered workers increased mainly in automobiles and electronic devices due to fewer workers quitting their jobs. In addition to the continued high demand for manufacturing personnel, the number of registered workers reached a new all-time high through enhanced promotional activities such as TV commercials.

The number of indefinitely hired skilled employees and engineers increased by 336 from end-FY03/22 to 6,694 (+7.5% YoY). Breaking this down, there were 5,152 skilled employees, a decrease of 92, and 1,542 engineers, an increase of 63. In an effort to develop highly sought-after engineers, the company is actively encouraging skilled employees to make the career leap to engineering positions.

Turnover

The employee turnover rate was low for manufacturing and production HR services was 3.8% (-0.1pp lower than 3.9% in cumulative Q3 FY03/22). The company hopes to keep it at 4.0% or less. The turnover rate for engineer HR services was also low, at 2.1%, but increased 0.2pp from 1.9% in cumulative Q3 FY03/22. According to the company, although some skilled employees received higher pay as a result of changing to an engineer career and taking on more challenging processes, some succumbed to the pressure of taking on greater responsibilities.

Other businesses (nursing care/welfare businesses)

- Revenue: JPY2.3bn (+1.4% YoY)
- Operating profit: JPY40mn (+14.0% YoY)

The overall occupancy rate of nursing care facilities has been maintained above 90% at 93.3%.

Topics

- Nikon Nisso Prime Corporation became a consolidated subsidiary: Nikon Nisso Prime was an equity-method affiliate but became a consolidated subsidiary on July 1, 2022, after acquiring additional equity interest.

- Signed a basic agreement with Doctors Co., Ltd. for a capital and business alliance: Leveraging the strengths and know-how of both the company and Doctors, the two companies will create a new service ("Medicine, People, Work") that utilizes digital health programs and technologies.

- Start consideration of transition to holding company structure (plan to transition in FY03/24): Restructure the group with an emphasis on management efficiency to respond flexibly to the diversifying needs of customers and workers and changes in the business environment.

- Formulation of Nisso Group slogan: New brand message, "Making workers happy," created. This expresses the Nisso Group's desire to continue to be a warm *place to belong* where people can discover their own value, grow, and realize their hopes and dreams through *work*.

Other information

History

Date		Description
February	1971	NISSO's predecessor, Nisso Koei Co., Ltd. was established
August	1980	NISSO Corporation established with the aim of on-site subcontracting of automobile parts manufacturing
June	1981	Established NISSO Engineering Services Co., Ltd. with the aim of designing and supervising plants (merged with NISSO in November 1991)
		Established Nisshin Koei Co., Ltd. with the aim of on-site subcontracting of electronic equipment parts manufacturing
February	1983	Established Chubu NISSO Co., Ltd. (renamed as Nisso Fudosan Co., Ltd. in May 1990; now Nisso Nifty Co., Ltd.) with the aim of on-site contracting of automobile and electronic equipment parts manufacturing
December		Established Yokohama NISSO Co., Ltd. (merged with NISSO in November 1991) with the aim of on-site subcontracting of automobile and electronic equipment parts manufacturing
October	1984	Established Osaka NISSO Co., Ltd. (merged with NISSO in November 1991) with the aim of on-site subcontracting of automobile and electronic equipment parts manufacturing
August	1985	Established Chubu NISSO Co., Ltd. (merged with NISSO in November 1991) with the aim of on-site subcontracting of automobile and electronic equipment parts manufacturing
March	1986	Established Nisso Office M Two Co., Ltd. (now Nisso Brain Co., Ltd.) in Yokohama, with the aim of conducting general worker dispatching undertakings
August	1988	Renamed all of Nisso Engineering Services, Tokyo Nisso (former Nisshin Koei Co., Ltd.), Yokohama Nisso, Nisso Koei, Osaka Nisso and Chubu Nisso, as NISSO Corporation
May	1990	Renamed Nisso Corporation (now Nisso Nifty) as Nisso Fudosan
August	1995	Established Japan Multipure Co., Ltd. (renamed as Japan Ank Co., Ltd. in Sep. 1999; merged with NISSO in Mar. 2006) in Minato, Tokyo, with the aim of selling water purifiers and activators
January	1999	Renamed Nisso Office M Two as Nisso Brain Co. Ltd.
October	2002	Obtained license for general worker dispatching undertakings
March	2003	Established Tecnets Co., Ltd. (made a wholly owned subsidiary in May 2007 and merged with NISSO in Apr. 2008) with the aim of operating engineer staffing services
November		Established Shanghai Nisso Human Resources Co., Ltd. (49.0% stake) with the aim of operating recruiting, staffing, and consulting services on human resources in China
March	2006	Merged with Japan Ank in an absorption-type merger with the aim of streamlining its business
July		Nisso Nifty acquired all shares in Personal Care Staff Co., Ltd. and made a subsidiary
April	2007	Established Nisso Pure Co., Ltd. with the aim of promoting employment of the handicapped
January	2009	Nisso Nifty merged with its subsidiary Personal Care Staff in an absorption-type merger
March	2018	Listed shares on the First Section of the Tokyo Stock Exchange
March	2019	Transferred real estate leasing business operated by Nisso Nifty to Nisso through a company split
January	2020	Agreed with Nikon Corporation on staffing business collaboration, and established a joint venture Nikon Nisso Prime Corporation
February	2021	Celebrated the fiftieth anniversary
August	2021	Acquired all shares in Vector Shinwa Co., Ltd. and made it a subsidiary
March	2022	Launched a joint venture, LeafNxT, by subscribing to a third-party allotment of capital to a consolidated subsidiary of Tsunag Group Holdings, Inc.
April	2022	Moved to the Prime Market of the Tokyo Stock Exchange
July	2022	Made Nikon Nisso Prime Corporation a consolidated subsidiary
October	2022	Established Nisso Holdings Co., Ltd.

Source: Shared Research based on company data

Top management

Ryuichi Shimizu: Representative director, president, and CEO (born May 30, 1961)

Joined Asahina Kohsan Co., Ltd. in 1986, moving to Nisso in 1988. Became managing director and Production Business Department director in 1993. In 1997, appointed managing director and Administration Department director. Became senior managing director in 1998. Appointed executive vice president in 2001. In 2004, became president, COO, and representative director and was appointed managing director of Shimizu Holdings Co., Ltd. (current position). In 2011, appointed chairman of the Japan Production Skill Labor Association. In 2016, became representative director of CW Holdings Co., Ltd. (current position) and director of Nisso Nifty Co., Ltd. In 2017, appointed a board member of the Japan Production Skill Labor Association. In 2019, became chairman of the company, chairman of the Japan Business Process Outsourcing and Staffing Association (current position), and director of the Japan Association of Human Resource Services Industry (current position). In 2020, appointed chairman, president, and representative director; and representative director, president, and CEO (current position). The son of company founder Tadao Shimizu.

Mission, vision, and SDGs

The company's new medium-term management plan for FY03/22—FY03/24 contains the following.

Mission

The company's mission is the creation of work opportunities and hope through a human resources solution service that supports the growth of companies and people.

Vision

The company aims to transform into a corporate group with high growth potential by FY03/24.

Priority items and SDGs

To fulfil its vision, it plans to create a rewarding workplace and respond to changes in society and the industrial structure, and enhance its corporate governance. The following table shows relationships between the company's initiatives and the UN's 17 SDGs.

Key focus areas

		Important issues (materiality)	Relevant SDGs		Measures
Key themes					
	Create comfortable workplace	■ Understand business characteristics, clarify what a rewarding workplace is, and improve	SDG-3	Good health and well-being	■ Respect for human rights ■ Decent work practices ■ Promote safety and health of employees ■ Strengthen links between business activities and global environment
			SDG-8	Decent work and economic growth	
			SDG-10	Reduce income inequality	
			SDG-13	Combat climate change	
	Respond to changes in social and industrial structure	■ Shift to business structure resilient to economic fluctuations ■ Step up investment amid growing diversity, digital transformation and other rapid changes in business environment	SDG-4	Quality education	■ Foster human resources who can respond to change ■ Support participation of diverse human resources ■ Promote and coexist with local community activities
			SDG-5	Gender equality	
			SDG-10	Reduce income inequality	
			SDG-17	Partnership for the goals	
	Enhance governance	■ Enhance corporate governance, promote compliance management, and develop risk management system with view to sustainable growth	SDG-16	Peace and justice	■ Implement sustainability management ■ Enhance corporate governance ■ Strengthen compliance management ■ Implement risk management
			SDG-17	Partnership for the goals	

Source: Shared Research based on company data

While Nisso has long been involved with its customers and working people, it has traditionally focused its attention on improving workers' treatment. Going forward, the company wants to provide things that make people feel happy at their various life stages, which it will then commercialize. This is something only a company that has introduced job opportunities to many working people could do. By identifying unmet needs and creating a business model that can solve societal issues, it hopes to become resilient to economic fluctuations.

Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Committee
Controlling shareholder	N
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	14
Number of directors	8
Directors' term of office under Articles of Incorporation	1 yr
Chairperson of the Board of Directors	President
Number of outside directors	5
Number of independent outside directors	5
Number of Audit & Supervisory Committee members	4
Other	
Participation in electronic voting platform	Y
Providing convocation notice in English	Y
Implementation of measures regarding director incentives	Performance-linked compensation
Eligible for stock option	N
Disclosure of directors' compensation	N
Policy to determine amount and calculation method of remuneration	Y
Corporate takeover defenses	N

Source: Shared Research based on company materials (Corporate Governance Report, Oct. 2, 2023)

Dividend policy

Per-share data	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
(JPY)	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Shares outstanding (ex. treasury shares; year-end; '000)	331.5	8,791.2	16,780.5	34,201.2	34,320.4	34,330.8	34,353.2	
EPS	18.5	37.9	61.6	60.5	47.1	49.9	47.7	53.1
EPS (fully diluted)	-	34.5	60.1	59.9	46.9	49.9	47.7	
Dividend per share	445.0	42.0	37.0	25.0	20.1	18.0	16.0	20.5
Payout ratio	2,402.8%	110.8%	60.1%	41.3%	42.7%	36.0%	33.5%	38.6%
Book value per share	8.7	70.2	157.1	351.8	375.9	399.0	435.2	

Source: Shared Research based on company data

Note: The company conducted a 10-for-1 stock split on common shares on October 16, 2017, a two-for-one split on February 1, 2018, a two-for-one split on August 22, 2018, and a two-for-one split on May 1, 2019.

The company considers shareholder returns and the enhancement of enterprise value to be management priorities. Accordingly, the company strives to ensure a steady return of profits to shareholders by sustaining a consolidated dividend payout ratio of around 30%. The company aims to balance these returns with the needs to secure funds for investing in growth and ensure a robust corporate structure able to withstand fluctuations in the operating environment. In principle, the company pays a year-end dividend, but its articles of incorporation allow the payment of two dividends yearly (interim and year-end) to enhance shareholder returns. The board of directors decides on interim dividend payments, adopting a flexible approach taking earnings into account.

Major shareholders

Major shareholders	Shares held(000 shares)	Shareholding ratio
NS Holdings Co., Ltd.	13,917	40.90%
The Master Trust Bank of Japan, Ltd.(Trust account)	2,703	7.94%
Custody Bank of Japan, Ltd.(Trust account)	2,493	7.33%
Tadao Shimizu	1,023	3.01%
Chikako Shimizu	974	2.86%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN(CASHPB)	507	1.49%
Shoichi Iwashige	434	1.27%
Nisso Corporation Employee Shareholding Association	434	1.27%
STATE STREET BANK AND TRUST COMPANY 505103	305	0.90%
MSIP CLIENT SECURITIES	265	0.78%
SUM	23,053	67.75%

Source: Shared Research based on company data (as of October 2, 2023)

Employees

Number of employees		FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
(number of participants)		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cons.		1,447	1,574	1,605	1,640	1,697	1,802	2,175
	General HR Services business	-	1,322	1,355	1,391	1,441	1,537	1,920
	Other businesses	-	242	250	249	256	265	255
Temporary employees		301	311	298	299	301	297	299
	General HR Services business	-	267	253	248	244	234	234
	Other businesses	-	44	45	51	57	63	65

Source: Shared Research based on company data

News and topics

Disposal of treasury shares as restricted stock compensation

2023-11-07

Nisso Holding Co., Ltd. announced the disposal of treasury shares as restricted stock compensation.

Outline of the disposal of treasury shares

- Date of disposal: November 30, 2023
- Type and number of shares to be disposed of: 39,352 shares of common stock
- Disposal price: JPY773 per share
- Total disposal price: JPY30,419,096
- Intended recipients: Three directors of the company (excluding outside directors): 27,715 shares; one executive officer: 1,293 shares; eight executive officers of subsidiaries: 10,344 shares

Acquisition of treasury shares decided

2023-11-07

Nisso Holdings Co., Ltd. announced a decision over the acquisition of treasury shares.

Acquisition of treasury shares

- Type of shares to be acquired: Common shares of the company
- Total number of acquirable shares: 1,300,000 (maximum; 3.82% of total outstanding shares [excludes treasury shares])
- Total acquisition price: JPY1.1bn (maximum)
- Acquisition period: November 8, 2023—March 31, 2024
- Acquisition method: Market purchase through the Tokyo Stock Exchange

Cancellation of treasury stock

2023-09-19

Nisso Corporation announced the cancellation of its treasury stock.

Reason for the cancellation

- The company plans to establish a holding company, Nisso Holdings, through a transfer of the company's treasury stock, with the scheduled date set for October 2, 2023. In a technical procedure to avoid allocating the holding company's shares to the company's treasury stock, the company will cancel its treasury stock just before the point when the holding company acquires all of the treasury stock through this stock transfer (reference time).

Overview of the cancellation

- Shares to be cancelled: The company's common shares
- Number of shares to be cancelled: All treasury shares held by the company at the reference time
- Scheduled cancellation date: September 29, 2023

Profile

Company Name

NISSO HOLDINGS

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Established

1971-02-03

IR Contact

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Head Office

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Listed On

Tokyo Stock Exchange, Prime Market

Exchange Listing

2018-03-16

Fiscal Year-End

Mar

About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at https://sharedresearch.jp.

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