

First Quarter of FY 2019 Financial Results Briefing Materials

August 21, 2018

NISSO CORPORATION



TSE1 Code: 6569

•The Financial Results Summary for FY 3/2019 1Q and the Earnings Forecast for FY 3/2019 will be explained within these materials.

Financial Results Summary for FY 3/2019 1Q

•The following is the report of the Financial Results Summary for FY 3/2019 1Q.

FY 3/2019 1Q Consolidated Financial Results Highlights



◆ NISSO: Increase in account companies, steady expansion of financial results due to increase in skilled staff

◆ Nisso Nifty: Opening of new nursing care facility (Sweetpea Higashi Totsuka), occurrence of upfront investment

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	13,907	100.0%	15,999	100.0%	2,091	15.0%
Gross profit	2,434	17.5%	2,660	16.6%	225	9.3%
SG&A expenses	2,053	14.8%	2,287	14.3%	234	11.4%
Operating profit	381	2.7%	372	2.3%	(8)	(2.3%)
Ordinary profit	383	2.8%	389	2.4%	6	1.6%
Profit attributable to owners of parent	255	1.8%	242	1.5%	(13)	(5.3%)

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q.

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• The following is the explanation of Consolidated Financial Results for FY 3/2019 1Q. Please note that since quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q, the figures that are provided are for reference purposes.

• Net sales amounted to 15,999 million yen (up 2,091 million yen or 15.0% year on year). The factors for the increase in revenue were:

- ① With regards to Manufacturing-related HR Services, revenue increased due to an increase in the number of enrolled staff and a rise in sales per capita.
- ② With regards to Other Businesses, revenue increased due to an increase in the number of residents of the nursing care facility "Sweetpea Higashi Totsuka" which opened on 3/1/2018.

• Gross profit amounted to 2,660 million yen (up 225 million yen or 9.3% year on year). The factors for the increase in profit were:

- ① With regards to Manufacturing-related HR Services, although there was an increase in sales, housing- and education-related expenses increased due to an increase in the number of enrolled staff.
- ② With regards to Other Businesses, although sales increased due to an increase in the number of residents of the nursing care facility "Sweetpea Higashi Totsuka", upfront investment in personnel and operating expenses associated with its opening occurred.

• Operating profit amounted to 372 million yen (down 8 million yen or 2.3% year on year). The factors for the decrease in profit were:

- ① With regards to Manufacturing-related HR Services, personnel and employee recruitment expenses associated with the strengthening of business increased.
- ② With regards to Other Businesses, taxes and various charges/expenses increased due to the opening of "Sweetpea Higashi Totsuka".

• Ordinary profit amounted to 389 million yen (up 6 million yen or 1.6% year on year). This was due to a decrease in interest expenses associated with a decrease in borrowings.

• Profit attributable to owners of parent amounted to 242 million yen (down 13 million yen or 5.3% year on year).

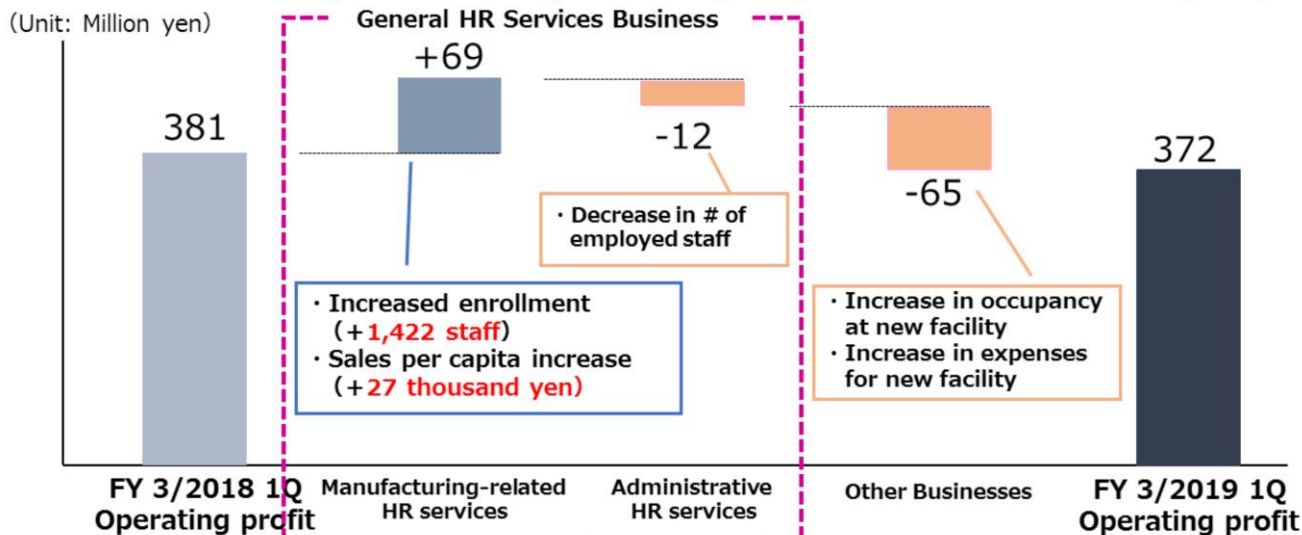
This was due to an increase in (corporate) income taxes.

FY 3/2019 1Q Factors contributing to changes in consolidated operating profit

◆General HR Services Business

Manufacturing-related HR Services: Increase in # of enrolled staff and profit growth due to sales per capita increase

◆Other Businesses: Fall in profit due to opening of new nursing facility and increases in administrative expenses, etc.



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•The factors contributing to the changes in consolidated operating profit for each business compared to the corresponding period of the previous year are as follows:

1. General HR Services Business

- ① With regards to Manufacturing-related HR Services, the number of enrolled staff increased by 1,422, and sales per capita increased by 27,000 yen compared to the corresponding period of the previous year. As a result, the operating profit of the General HR Services Business increased by 69 million yen.
- ② With regards to Administrative HR Services, since business was withdrawn from the highly competitive metropolitan area and operations were consolidated in Yokohama, Kanagawa, there was a decrease in the number of employed staff and profits decreased.
Hereafter, efforts will be made to expand sales mainly in Yokohama, Kanagawa.

2. Other Businesses

With regards to Other Businesses, as a result of the occurrence of upfront investment in personnel and operating expenses associated with the opening of the nursing care facility "Sweetpea Higashi Totsuka", profits declined by 65 million yen.
In the future, as the number of tenants increases, profits are expected to improve gradually.

•As a result of the above, consolidated operating profit amounted to 372 million yen, a decrease in profit of 8 million yen compared to the corresponding period of the previous year.

FY 3/2019 1Q Non-consolidated Financial Results Highlights



- ◆ Increase in sales and profit due to skilled staff placement at account companies
- ◆ Actively investing in human resources development to improve provision of services and employee motivation (opening of educational facilities, increasing # of participants)

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	12,325	100.0%	14,590	100.0%	2,265	18.4%
Gross profit	2,205	17.9%	2,515	17.2%	309	14.0%
SG&A expenses	1,868	15.2%	2,115	14.5%	247	13.3%
Operating profit	337	2.7%	399	2.7%	62	18.5%
Ordinary profit	331	2.7%	411	2.8%	79	23.9%
Profit	221	1.8%	259	1.8%	37	17.1%

(Note) 1. Quarterly financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q.

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•The following is the explanation of NISSO's Non-consolidated Financial Results. Please note that since quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q, the figures that are provided are for reference purposes.

•Net sales amounted to 14,590 million yen (up 2,265 million yen or 18.4% year on year).
Based on the strategy of prioritizing the assignment of "skilled staff" to account companies, which are NISSO's key clients, and as a result of actively investing in human resources development as well as aiming to improve the skills and the retention rates of manufacturing staff, there were increases in the number of enrolled staff and sales per capita.

•Gross profit amounted to 2,515 million yen (up 309 million yen or 14% year on year).
In terms of cost of sales, housing- and education-related expenses increased due to an increase in the number of enrolled staff.
In addition, lump-sum payments to a number of employees occurred.

•Operating profit amounted to 399 million yen (up 62 million yen or 18.5% year on year).
Personnel and employee recruitment expenses associated with the strengthening of business increased.

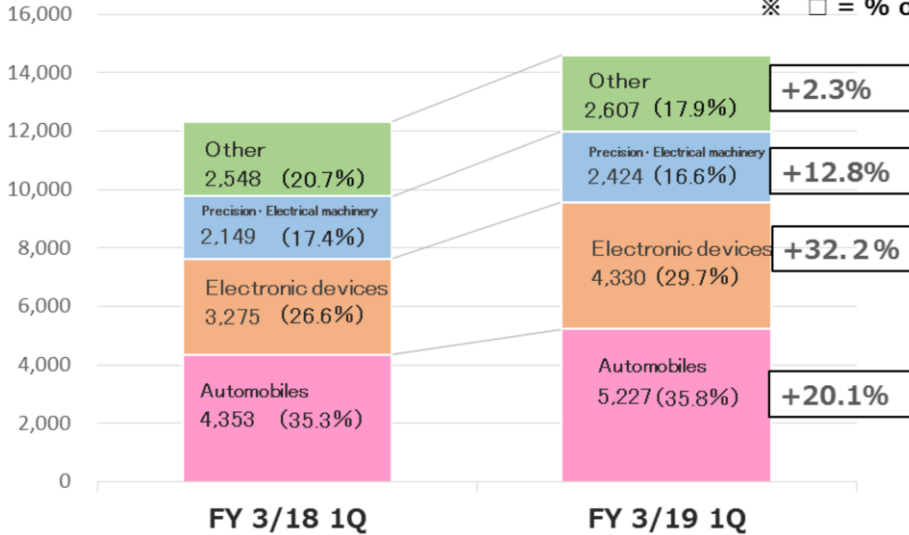
•Ordinary profit amounted to 411 million yen (up 79 million yen or 23.9% year on year).
There was a decrease in interest expenses associated with a decrease in borrowings.

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



【Trend of Sales Composition Ratios (Unit: Million yen)】

※ () = % of total sales
 ※ □ = % of Year-on-Year growth



➤ **Electronic devices:**
 Increase in demand for smartphones/automotive electronic components

➤ **Automobiles:**
 Favorable production conditions domestically /overseas for auto body /automobile parts manufacturers

(Note) 1. Quarterly financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q.

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•The following is the explanation of NISSO's non-consolidated net sales by industry. Please note that since quarterly consolidated financial statements based on the Financial Instruments and Exchange were not prepared for FY 3/2018 1Q, the figures that are provided are for reference purposes.

•The above is the sales by industry compared to the corresponding period of the previous year.

•Electronic devices and automobiles-related (auto body/automobile parts) sales increased substantially.

•Electronic devices sales increased by 32.2% compared to the corresponding period of the previous year due to increased demand for smartphones and automotive components.

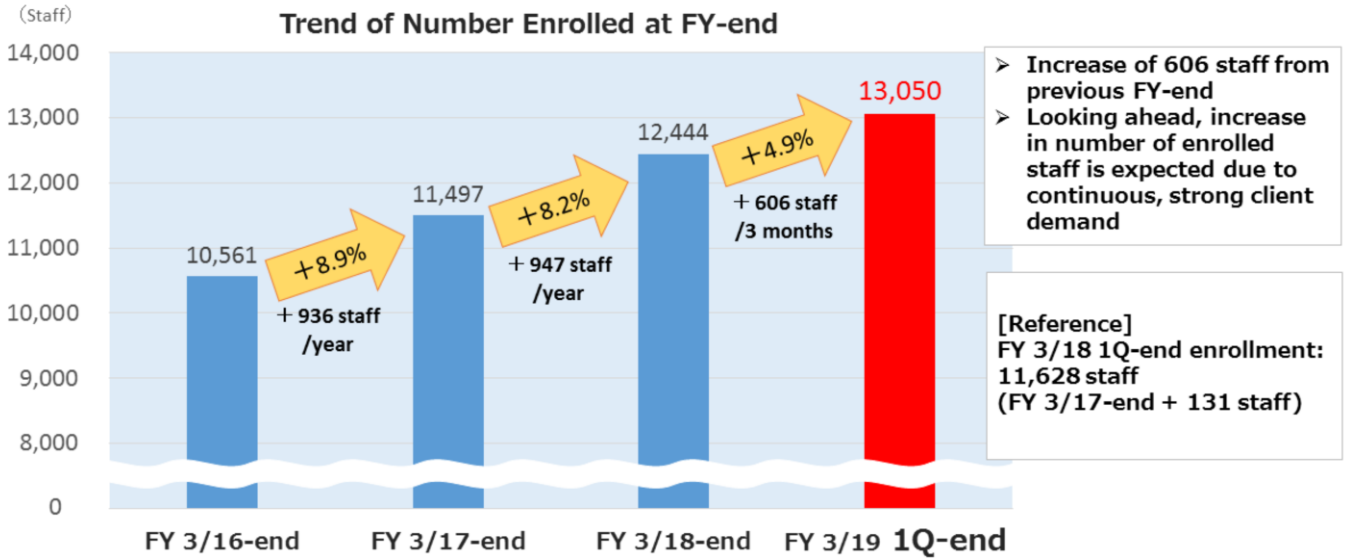
•Automotive-related sales increased by 20.1% compared to the corresponding period of the previous year due to steady progress in domestic production.

•Demand centered on electronic devices and automotive-related fields is expected to continue increasing in the future.

Trend of Enrolled Staff (NISSO, Non-consolidated)



◆ Enrollment is steadily on an upward trend (up 4.9% from end of previous FY)



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•The following is the explanation of the trend of NISSO's enrolled staff.

•The number of enrolled staff at the end of June 2018 was 13,050.
There were 12,444 staff at the end of the previous fiscal year, and increased by 606 staff in 3 months.

•The factors for the increase were:

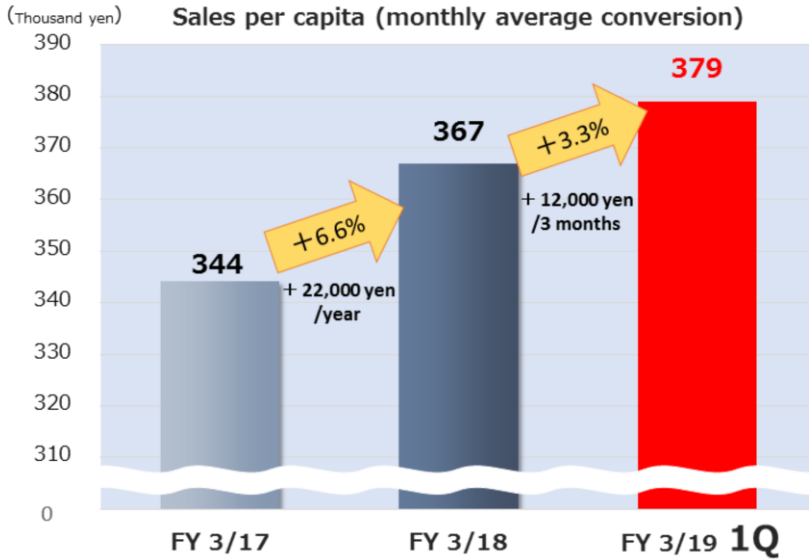
- ① Recruiting activities were conducted smoothly.
- ② The decrease in the number of people leaving employment attributed to the reduction in the turnover rate.

For reference, the number of enrolled staff at the end of the first quarter of 2017 was 11,628, which was an increase of 131 staff from the end of the previous fiscal year.

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



◆ Sales per capita rose from previous FY



- Increase of approx. 12,000 yen from previous FY (up 3.3%)
- Increased sales in account companies
- Rise in unit prices with increased # of clients adopting skilled staff system and increase of skilled staff
- Unit price increases are partly redistributed as employee compensation improvements
- Increases in sales per capita expected due to continued facilitation of skilled staff assignment to account companies

[Reference]
 FY 3/18 1Q sales per capita:
 351 Thousand yen
 (Approx. 7,500 yen, or 2.2% increase from FY 3/17)

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• The following is the explanation of NISSO's sales per capita.

• Although sales per capita increased by 22,000 yen (6.6%) during the period from FY 3/2017 to FY 3/2018,

• The monthly sales per capita for FY 3/2019 1Q amounted to 379 thousand yen, which was a increase in 1Q of 12,000 yen (3.3%) from the previous fiscal year.

• For reference, the monthly sales per capita in FY 3/2018 1Q was 351 thousand yen, which was a increase in 1Q of 7,500 yen (2.2%) from the previous fiscal year.

• The factors for the increase were:

- ① Prioritizing the assignment of skilled staff to account companies, which are NISSO's key clients.
- ② The rise in unit prices of skilled staff.

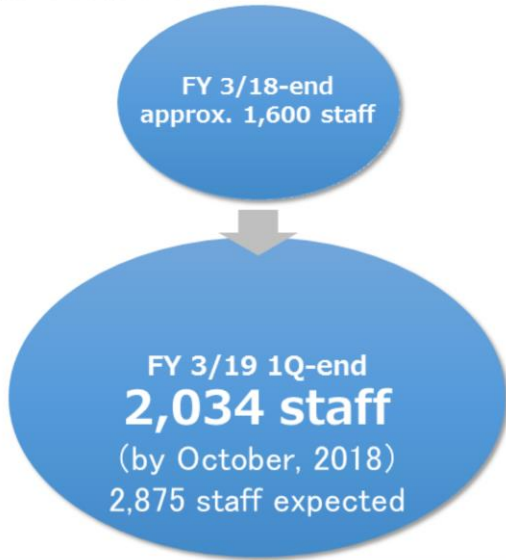
• Moving forward, NISSO will continue to promote this strategy and aim to raise sales per capita.

Number of Skilled Staff (NISSO, Non-consolidated)



◆ Skilled staff are steadily increasing

[# of Skilled Staff]



[Skilled staff compensation, etc.]

		Skilled staff	Non-skilled staff
Employment contracts		"Region-" or "industry type-" restricted indefinite-term employee	Fixed-term (with some indefinite-term)
Appointment criteria		Work, ability evaluation	—
C O M P E N S A T I O N	Salary	Monthly	Hourly
	Bonus	Yes	No
	Salary increases	Yes	No
	Retirement plan	Yes	No
Job duties		· Production line · Equipment maintenance · Workplace management, etc. Requires unique skills	Mainly production line
Career path		Yes	—
Educational opportunities		Mainly skill enhancement education	Mainly basic education (work-specific, safety, etc.)

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•The following is the explanation of NISSO's skilled staff.

•The number of skilled staff at FY 3/2019 1Q-end was 2,034 (approximately 1,600 at FY 3/2018-end).

•NISSO is currently promoting their appointment and development, and is expecting to have 2,875 staff by October, as well as aiming for 4,000 staff at the end of the fiscal year.

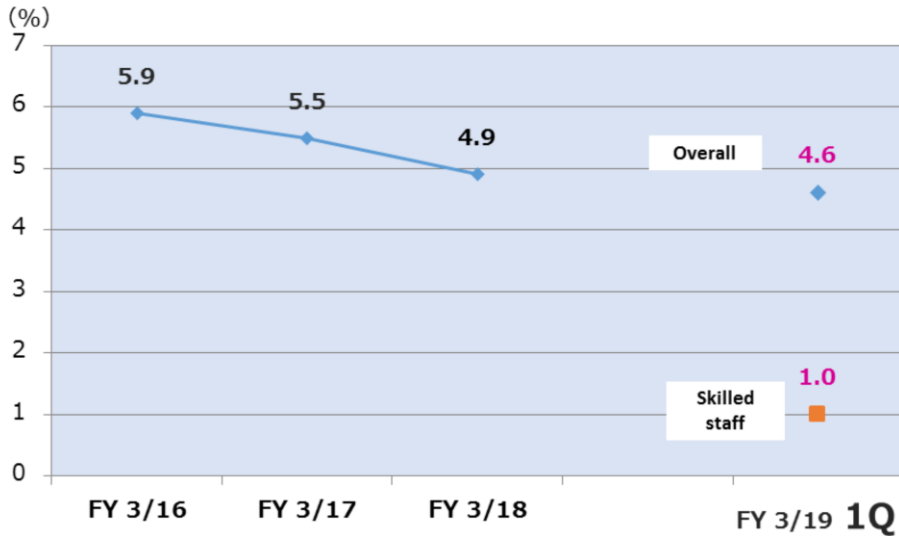
•The following is the explanation of the differences between skilled and non-skilled staff.
 Skilled staff are indefinite-term employees who are restricted by "region" or "industry type".
 Skilled staff are on a monthly salary system that is not affected by the number of their working days, and they are provided with bonuses and retirement plans.
 In addition, they are provided with opportunities for skill enhancement education.

•Skilled staff are able to increase their capabilities in such a stable employment environment, and as a result, they are able to provide clients with a higher quality of services in a stable manner.

Turnover Rates (NISSO, Non-consolidated)



- ◆ Turnover rate of skilled staff is stable at 1% level
- ◆ Overall turnover rate has improved



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•The following is the explanation of NISSO's turnover rates.

•The turnover rate of skilled staff for FY 3/2019 1Q is 1%.
(In FY 3/2018, it was at 1.7%.)

Due to the acquirement of skills while receiving stable income and education, the motivation of employees improved, and the turnover rate declined.

•With the advancement of the workplace environment, such as improved retention and treatment of skilled staff, NISSO's overall turnover rate for FY 3/2019 1Q is 4.6% (in FY 3/2018 it was at 4.9%), or a decrease of 0.3 points.

Account Companies (NISSO, Non-consolidated)



- ◆ Existing 4 Groups (auto/electronic components/precision equipment/electrical machinery): sales with all groups increased year-on-year
In particular, automobiles and electronic components groups increased significantly
- ◆ In addition to expanding transactions with existing companies, expansion of market size of account companies by increasing number of new companies
- ◆ Increase in sales due to rise in sales per capita in association with increase of skilled staff in account companies
- ◆ Production conditions of account companies will continue to be strong, and demand for NISSO is also expected to increase
- ◆ New account company group selection is in progress for future business expansion

[Account Company Group Sales]

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Increase	% Change
	Amount	% of Total	Amount	% of Total		
Accounts total (4 Groups)	4,575	37.1%	6,107	41.9%	1,532	33.5%
Total sales	12,325	100.0%	14,590	100.0%	2,264	18.4%

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•The following is the explanation of NISSO's account companies.

•By developing skilled staff, who are high-quality human resources and integral to the basic strategy of NISSO's mid-term management plan, and assigning them to high unit cost production sites of mainly account companies who are NISSO'S key clients, sales to account companies (4 groups) also increased.

•In addition to expanding the shares in existing companies, NISSO's shares in the account company groups also expanded due to the start of transactions with new factories.

•NISSO is in the process of selecting new account company groups for future business expansion.

Educational Achievements (NISSO, Non-consolidated)



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

Training course name	Quarterly Total	Educational content
Skilled staff education	523	Standard skilled staff education
Accredited vocational training education	63	Miyagi Prefecture-accredited vocational training (production equipment-related courses)
Manufacturing education	1,173	Basic MONOZUKURI (manufacturing) education, out-bound education (MONOZUKURI, safety, etc.)
Safety education	202	Danger · risk simulation education
Basic maintenance education	34	Basic equipment maintenance education
Employee education	149	New graduate/mid-career entry training, newly appointed chief education, on-site supervisor education...
Other education	22	Contracted education from external sources
Total	2,166	

- Conducted education for 2,166 participants in 1Q (including 523 skilled staff)
- Skilled staff education participants are assigned to high-unit cost production sites, including account companies, which leads to rise in sales per capita
- Other education is also actively conducted to improve employee/staff ability and retention, also in an effort to increase sales
- NISSO will continue to focus on education in order to achieve mid-term management plan goals and for employee growth

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•The following is the explanation of NISSO's educational achievements.

•The educational achievement for FY 3/2019 1Q amounts to 2,166 participants.

Of which, 523 participants received skilled staff education, and they were assigned to high unit cost production sites such as account companies, in an effort to expand sales and profits.

•With regards to other education and training, the improvement of individual capabilities, as well as the improvements of productivity and quality of contracting workplaces, also led to an increase in sales.

•Hereafter, NISSO will continue to provide educational opportunities for individual skill enhancement, raise the quality of services, and aim to improve client and employee satisfaction.

Educational Achievements (NISSO, Non-consolidated) 1Q Topics



[Nisso Technical Center Naka-Nihon (Okaya City, Nagano)] ※Opened on May 1, 2018

- Semiconductor manufacturing equipment maintenance Course Period: 1.5 months
- # of participants to date: 3 terms/33 (10 - 15 participants/course)
- Upon course completion, participants are assigned to work at major semiconductor manufacturers of account companies
- FY 3/2019 Expected # of Nisso Technical Center Naka-Nihon participants: 240



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•The following is the explanation of the operational status of "Nisso Technical Center Naka-Nihon" (opened on May 1, 2018), the 1Q topics for NISSO's educational achievements.

•At present, 33 participants have completed the maintenance education of semiconductor manufacturing equipment, and work as maintenance personnel at the major semiconductor manufacturers of NISSO's account companies.

•Since the production status of semiconductor manufacturers is on an upward trend due to the advances of self-driving vehicles and the progress of IoT in the future, NISSO expects an increase in demand from clients for the maintenance of their manufacturing facilities. In order to satisfy such client demands, NISSO will continue to promote the development of maintenance personnel.

•Nisso Technical Center Naka-Nihon also conducts skilled staff education and etc., and expects 240 participants during the current fiscal year.

Yokohama Tsurumi Center [Scheduled opening: September 2018]

Aggressive recruiting methods

Actively approaching potential candidates (Scout-type)

<Improvement of recruitment capabilities with dedicated teams>

In order to approach potential job seekers, NISSO is establishing the Yokohama Tsurumi Center, utilizing HR information databases, and conducting scouting of "required personnel" to meet job seeker needs at their "required timing", to achieve increased recruitment and low-cost hiring



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•The following is the explanation of NISSO's efforts toward securing (recruiting) human resources.

•NISSO is planning to open the Yokohama Tsurumi Center in Tsurumi-ku, Yokohama in September 2018.

•In addition to passive recruiting methods utilizing free newspapers and web media, by utilizing both internal and external human resources databases, NISSO will incorporate more active recruiting methods such as conducting the scouting of "required personnel" to meet the job seeker needs at their "required timing", and will continue to achieve expanded recruitment and low-cost hiring.

Earnings Forecast for FY 3/2019

•The following is the explanation of the Earnings Forecast for FY 3/2019.

Future Prospects (Market Environment and Competitive Advantages of Nisso Group)

	Market Environment	Nisso Group's Competitive Advantages
Market Environment	Automobiles (Parts) Market expansion due to advances in development of EV's and self-driving vehicles Semiconductors • Electronic Components Increase in demand for in-vehicle devices, IoT market expansion, etc.	Placement of skilled staff into strong automobile (parts) and semiconductor • electronic components account companies to increase staffing levels and raise unit prices
Recruiting Environment	Effective opening-to-application ratio of jobs remains at a high level ⇒ competition for recruitment is expected to intensify	Promotion of efficient recruiting activities through utilization of own recruitment websites and big data
Revised Worker Dispatch Law	Career development support, provision of 8 hours of education and training opportunities per year, maintenance of stable work environments	Provision of educational programs including education and training at 7 educational facilities nationwide
Revised Labor Contract Act	Conversion to indefinite-term labor contracts from April 2018 / Adoption of "Termination of Employment Doctrine"	Appointment of skilled staff, establishment of conversion system to indefinite-term employment
RBA (ex-EICC) (Responsible Business Alliance)	Regulation of workers' human rights protection, health and safety, environmental conservation, and corporate ethics in supply chains of electronic equipment-related industries. Same standards are required at dispatching companies	Disaster prevention through extensive health and safety activities, creation of comfortable work environments
Conclusion	Demand for HR services will continue to increase ⇒In order to correspond to intensified job markets and revised laws/acts, NISSO's expertise and strength as a company will continue to be required Business environments for small-scaled • local dispatching companies have become tougher, as selection of suitable dispatching companies continues	NISSO has continued to respond to changes in surrounding environments ⇒ Business environments are favorable for NISSO

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•Regarding future prospects

As for external environment trends

- ①The manufacturing industry, which is NISSO's main client, continues to fare well.
- ②The circumstances regarding the securing of workers will remain severe due to the rise in the effective opening-to-application ratio of jobs.
- ③Corresponding to the Revised Worker Dispatch Law and the Revised Labor Contract Act will be required.
- ④High compliance standards, such as those of the RBA (formerly the Electronic Industry Citizenship Coalition, or EICC), will be demanded from clients.

•In general, the demand for human resources services in the future will further increase. However, in order to deal with these situations, NISSO's expertise and strength as a company will continue to be required, and it is thought that as the business environments for small-scaled•local dispatching companies become tougher, the selection of suitable dispatching companies will continue.

•NISSO will continue to respond appropriately to these issues, and aim to expand business performance by taking advantage of such changes in the environments.

FY 3/2019 Consolidated Earnings Forecast



◆ Consolidated earnings forecast for FY 3/2019 is unchanged from initial forecast

■ Regarding Sales

Increase in revenue is expected due to account strategies and increase of skilled staff (# enrolled by FY 3/19-end: 4,000)

■ Regarding Operating Profit

Although upfront investment in education and recruitment reinforcements, as well as upfront investment in new facilities for other businesses may be suppressing factors, improvement of sales per capita and strengthening of operational frameworks have contributed to productivity, and **profit growth** is expected

	FY 3/18 Results		FY 3/19 Forecast		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	59,208	100.0%	65,686	100.0%	+6,478	+10.9%
Operating profit	1,800	3.0%	2,099	3.2%	+299	+16.6%
Ordinary profit	1,781	3.0%	2,144	3.3%	+363	+20.4%
Profit attributable to owners of parent	1,014	1.7%	1,376	2.1%	+362	+35.7%

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•The following is the explanation of the Earnings Forecast for the full year of the current fiscal year.

①Net sales

NISSO expects an increase in revenue compared to the previous fiscal year due to the promotion of account company strategies and an increase of skilled staff.

②Operating profit

Although there are investments in education and recruitment reinforcements, as well as upfront investment in new facilities for other businesses, due to the rise in sales per capita, the increase in enrolled staff and the reduction of selling, general and administrative expenses associated with the improvement of operational efficiency, NISSO expects an increase in profit compared to the previous fiscal year.

•NISSO will not make any changes to the earnings forecast of the mid-term management plan which was announced on May 30th.

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

For future IR-related inquiries

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