

Financial Results Briefing Materials for the First Six Months of FY 2019

November 8, 2018

NISSO CORPORATION



TSE1 Code: 6569

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Financial Results Summary for the First Six Months of FY 3/2019

FY 3/2019 2Q Consolidated Financial Results Highlights (P/L)



◆ NISSO: Promotion of skilled staff assignment to account companies, steady growth of financial results

◆ Nisso Nifty: Although sales increased due to increase in residents at Sweetpea Higashi Totsuka, occurrence of upfront investment continued

(Unit: Million yen)

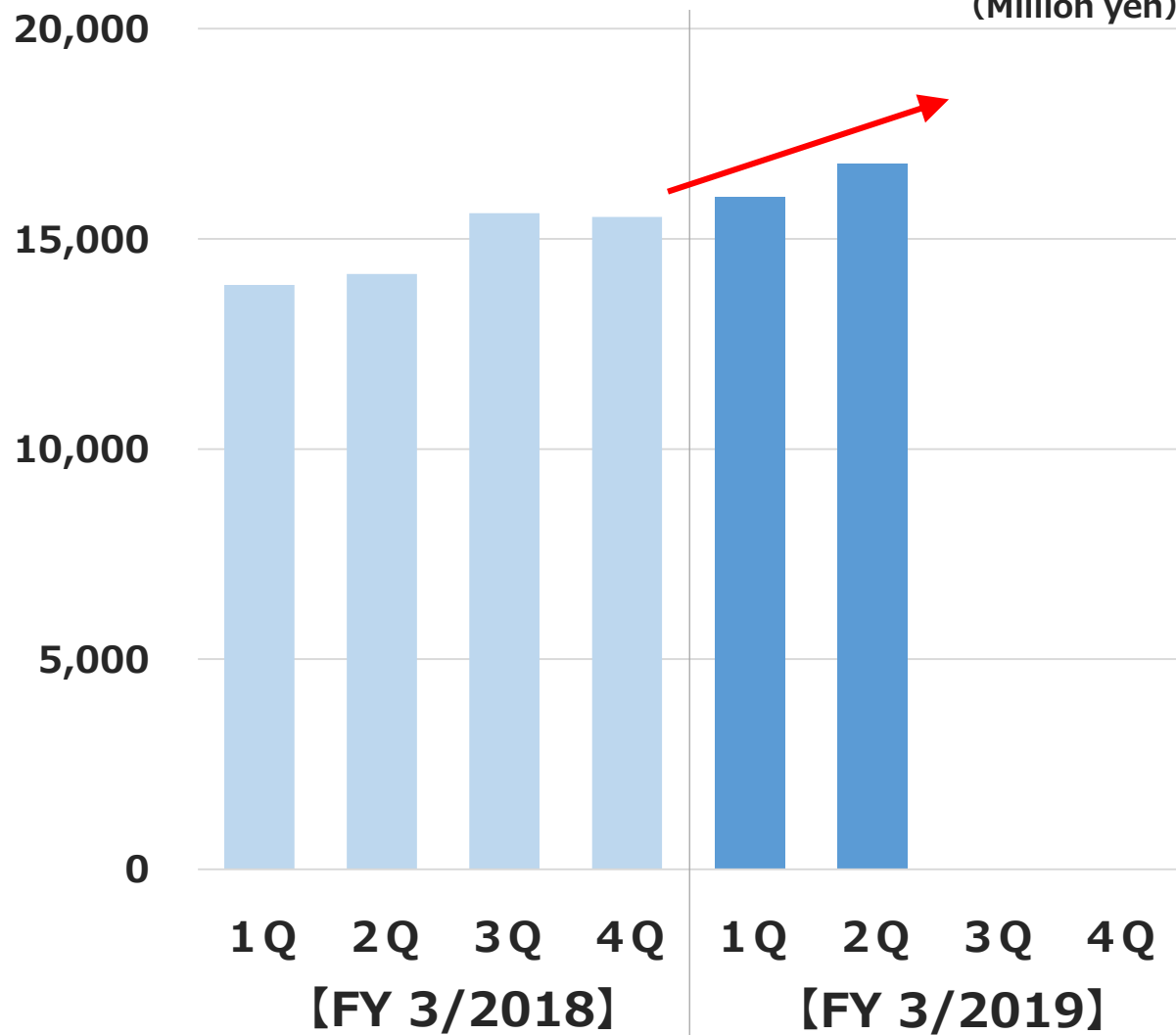
	FY 3/2018 2Q		FY 3/2019 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	28,073	100.0%	32,783	100.0%	4,709	16.8%
Gross profit	4,864	17.3%	5,508	16.8%	643	13.2%
SG&A expenses	4,178	14.9%	4,593	14.0%	414	9.9%
Operating profit	686	2.4%	915	2.8%	229	33.4%
Ordinary profit	674	2.4%	930	2.8%	256	38.0%
Profit attributable to owners of parent	445	1.6%	588	1.8%	142	32.0%

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 2Q.

FY 3/2019 2Q Quarterly Financial Results Trend

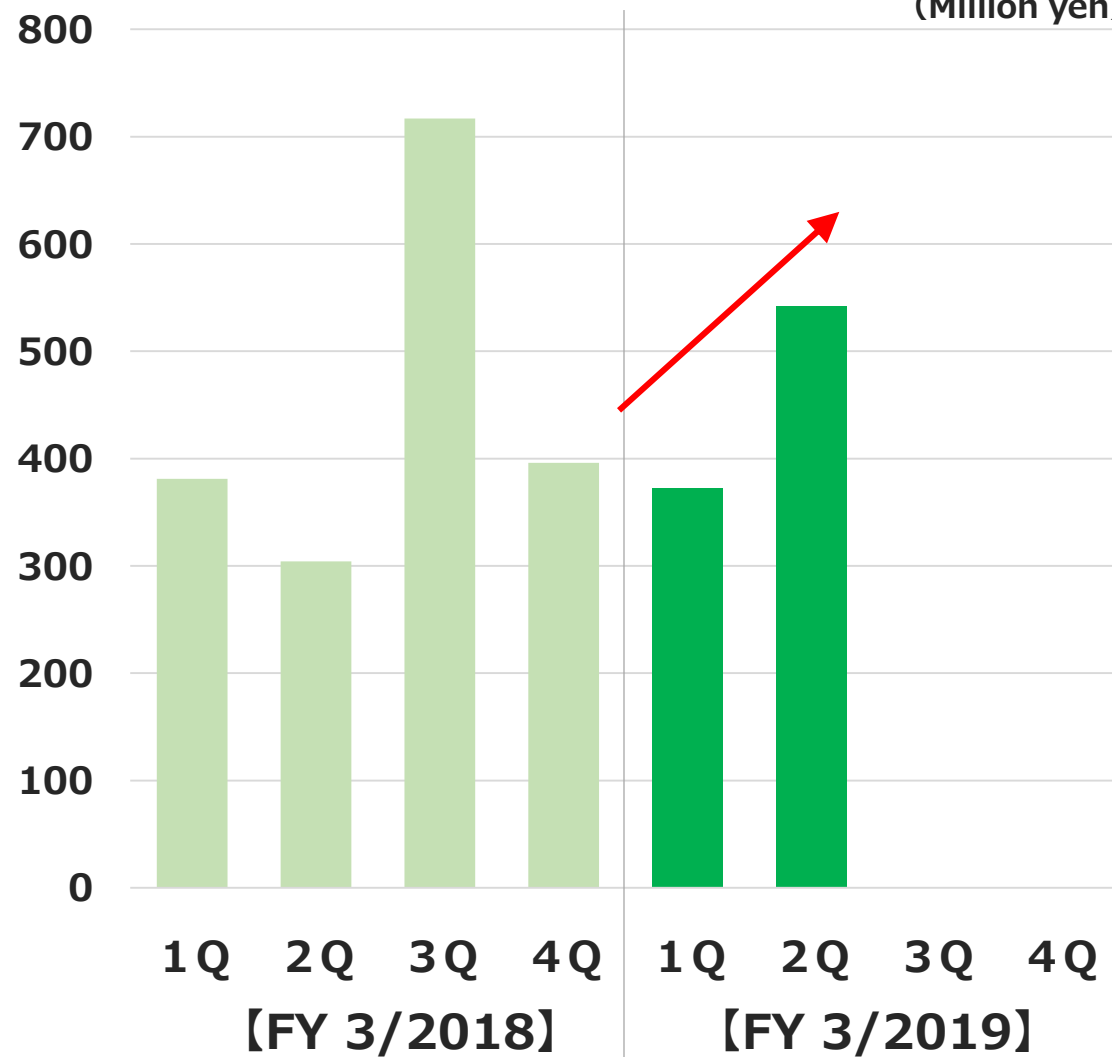
【Sales】

(Million yen)



【Operating Profit】

(Million yen)



FY 3/2019 2Q Consolidated Financial Results Highlights (B/S)



[Quarterly Consolidated Balance Sheet]

(Unit: Million yen, %)

	FY 3/18-end		FY 3/19-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	12,753	64.2	12,939	64.3	186
Cash and deposits	5,283	26.6	5,117	25.4	(165)
Notes and accounts receivable - trade	6,791	34.2	7,153	35.6	362
Non-current assets	7,117	35.8	7,176	35.7	59
Property, plant and equipment	4,994	25.1	5,015	24.9	21
Intangible assets	380	1.9	356	1.8	(23)
Investments and other assets	1,742	8.8	1,804	9.0	62
Total assets	19,870	100.0	20,115	100.0	245
Current liabilities	8,206	41.3	8,183	40.7	(23)
Accrued expenses	4,331	21.8	4,451	22.1	120
Income taxes payable	632	3.2	458	2.3	(174)
Non-current liabilities	2,345	11.8	2,350	11.7	4
Long-term loans payable	1,883	9.5	1,832	9.1	(51)
Total liabilities	10,552	53.1	10,533	52.4	(18)
Shareholders' equity	9,130	45.9	9,386	46.7	255
Total net assets	9,317	46.9	9,582	47.6	264
Total liabilities and net assets	19,870	100.0	20,115	100.0	245

① Increase due to business expansion

"Notes and accounts receivable - trade" increased due to an increase in net sales, and "accrued expenses" increased due to personnel expenses related to dispatched staff, etc.

② Overall

In addition to a decrease in liabilities due to tax and other scheduled payments, "cash and deposits" decreased due to dividends. However, current assets increased due to an increase in "notes and accounts receivable - trade" accompanying business expansion. Furthermore, since non-current assets increased due to capital investment, total assets also increased.

Shareholders' equity and total net assets increased due to quarterly profit.

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 2Q.

FY 3/2019 2Q Consolidated Financial Results Highlights (C/F)



【Quarterly Consolidated Statement of Cash Flows】

(Unit: Million yen)

	First 6 months of FY 3/18	First 6 months of FY 3/19	Increase (Decrease)
	Amount	Amount	
Cash flows from operating activities	1,227	351	(875)
Cash flows from investing activities	(41)	(93)	(51)
Cash flows from financing activities	(1,061)	(424)	637
Net increase (decrease) in cash and cash equivalents	123	(165)	(289)
Cash and cash equivalents at beginning of period	3,369	5,283	1,914
Cash and cash equivalents at end of period	3,493	5,117	1,624

① Cash flows from operating activities

While profit before income taxes and proceeds from increases in allowances, etc. increased YOY, due to expenditures from an increase in notes and accounts receivable-trade accompanying business expansion, and increases in tax payments from increases in capital stock from the previous fiscal year, the amount of revenue decreased YOY, and amounted to 351 million yen

② Cash flows from investing activities

Expenditures increased YOY mainly due to investments related to training facilities, and amounted to 93 million yen

③ Cash flows from financing activities

While cash dividends paid increased YOY, in addition to proceeds from long-term loans payable, due to decreases in expenditures for repayments of long- and short-term loans payable, the amount of expenditures decreased YOY, and amounted to 424 million yen

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 2Q.

【Other Businesses Results】

(Unit: Million yen)

	FY 3/18			FY 3/19			FY 3/18	FY 3/19
	1Q	2Q	2 nd Half	1Q	2Q	2 nd Half Forecast	Full year	Full year Forecast
Net sales	568	574	1,130	587	620	1,299	2,273	2,508
Expenses	584	589	1,200	669	685	1,385	2,374	2,739
Operating profit (loss)	(16)	(14)	(70)	(81)	(64)	(85)	(101)	(231)

- ◆ Sales increased due to increase in residents at Sweetpea Higashi Totsuka
- ◆ Upfront investment expenses such as personnel expenses, operation costs, etc., associated with the opening of Sweetpea Higashi Totsuka continue to occur
- ◆ Occupancy is progressing almost as planned, and operating loss of approx. 200 million yen is expected for the full year

◆ Residents are moving in according to plans

《Fee-based senior-care nursing home # of residents as of 9/2018-end》

Bldg. #1 - 5 # of residents: 292 occupancy rate: 94.8% (capacity: 308)

Bldg. #6 (Sweetpea Higashi Totsuka) # of residents: 21 occupancy rate: 22.3% (capacity: 94)

FY 3/2019 2Q Non-consolidated Financial Results Highlights

- ◆ Amid continued strong demand from automobiles and electronic components industries, sales and profits increased due to placement of skilled staff to high-unit cost clients, mainly account companies
- ◆ Although gross profit margin decreased YOY due to upfront costs such as housing and education accompanying staff increases, due to efforts to control increases in SG&A expenses, operating profit margin increased YOY

(Unit: Million yen)

	FY 3/2018 2Q		FY 3/2019 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	24,983	100.0%	29,969	100.0%	4,985	20.0%
Gross profit	4,437	17.8%	5,228	17.4%	790	17.8%
SG&A expenses	3,787	15.2%	4,251	14.2%	463	12.2%
Operating profit	650	2.6%	977	3.3%	326	50.3%
Ordinary profit	627	2.5%	983	3.3%	356	56.8%
Profit	411	1.6%	629	2.1%	217	52.8%

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 2Q.

FY 3/2019 2Q Sales by Industry (NISSO, Non-consolidated)

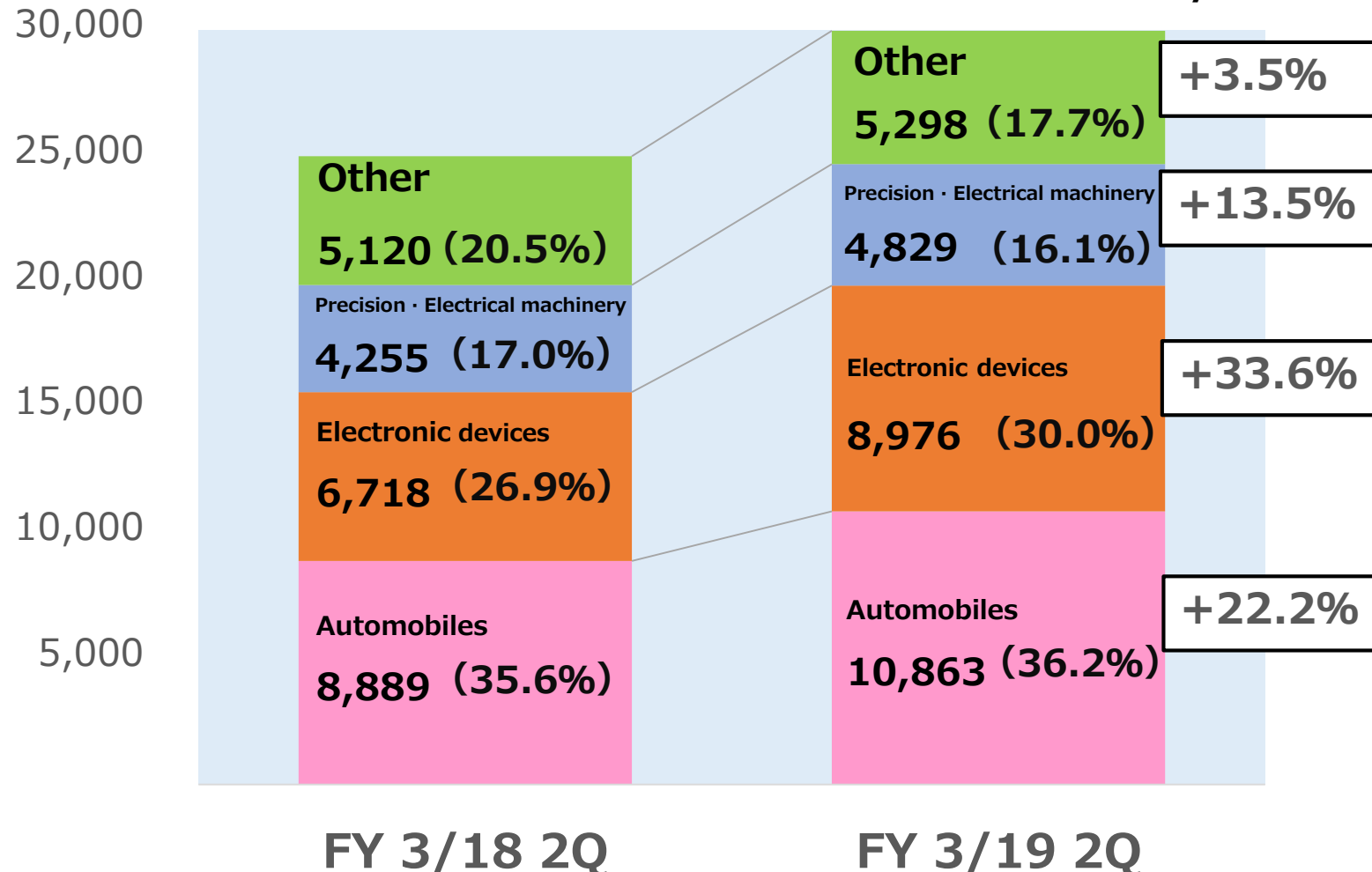


【 Trend of Sales Composition Ratios 】

(Unit: Million yen)

※ () = % of total sales

※ □ = % of Year-on-Year growth



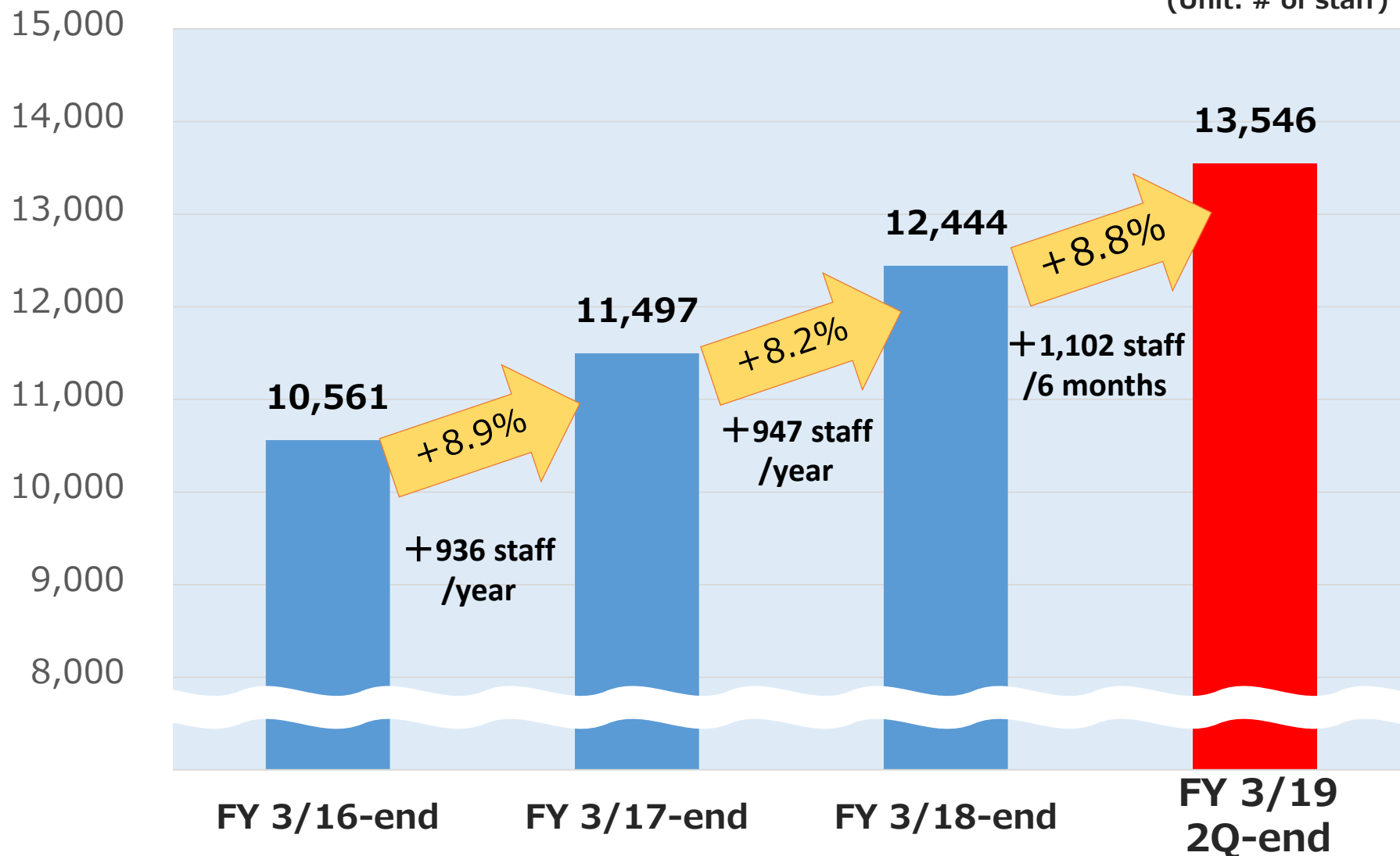
- Strong growth in client markets, including automobiles and electronic device industries where NISSO has high market shares
- Automobiles: Domestic production remained strong
- Electronic devices: Continued increase in demand for smartphones, automotive electronic and semiconductor components

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 2Q.

Trend of Enrolled Staff (NISSO, Non-consolidated)

Trend of Number Enrolled at FY-end

(Unit: # of staff)



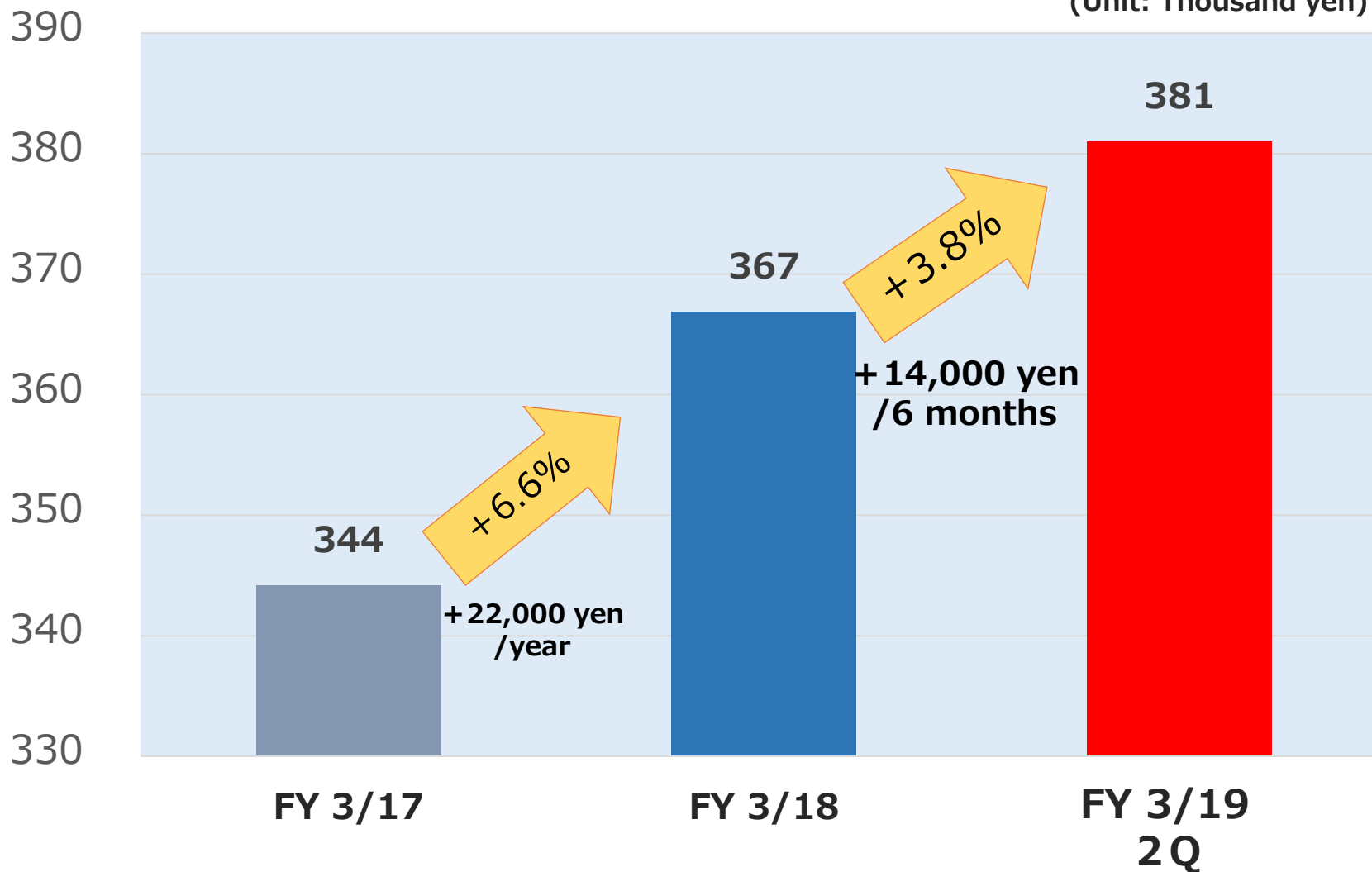
- From previous FY-end: Increase of 1,102 staff (8.8%)
- Increased enrollment mainly in automobiles and electronic device companies
- Looking ahead, demand for human resources is expected to remain high

[Reference]
FY 3/18 2Q-end enrollment:
11,797 staff
From FY 3/17-end:
+ 300 staff (2.6%)

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

【Sales per capita (monthly average conversion)】

(Unit: Thousand yen)



- **FY 3/19 2Q:**
Up approx. 14,000 yen from previous FY (3.8%)
- Continued implementation of unit cost negotiations from previous FY, increase in sales per capita due to placement of skilled staff

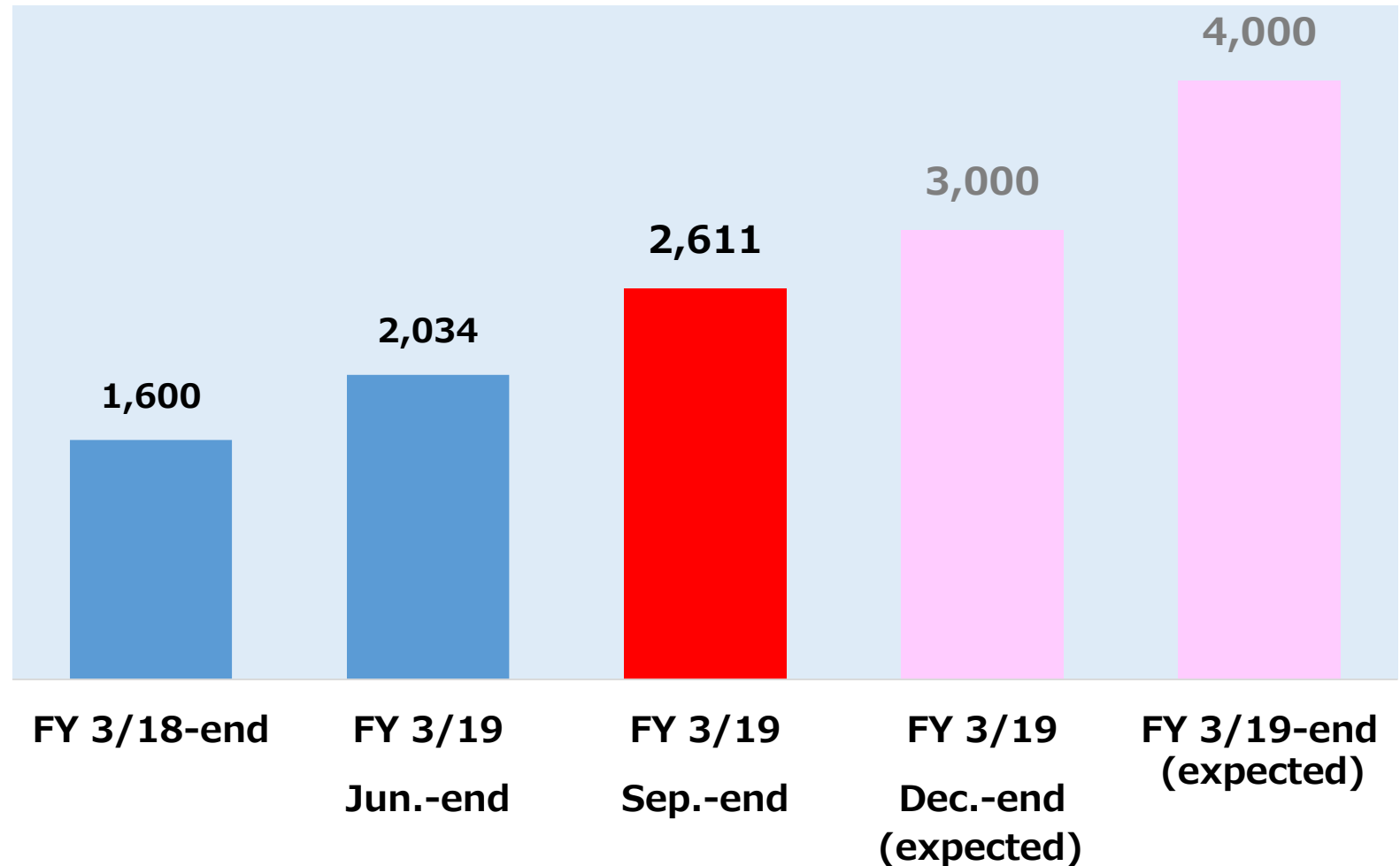
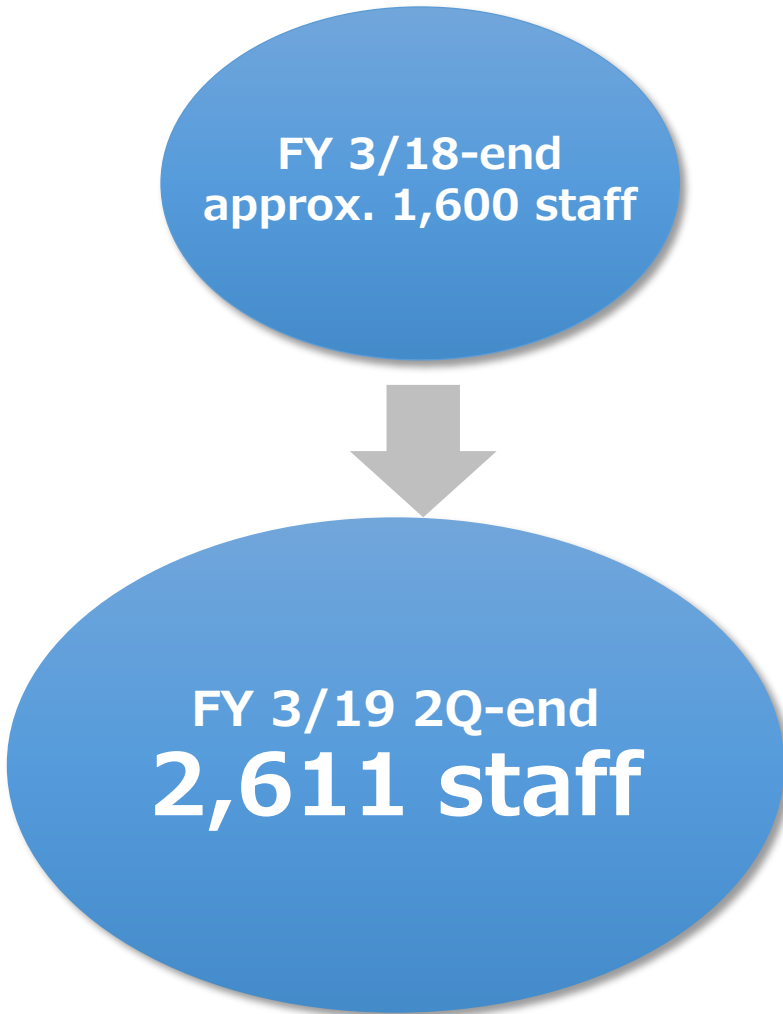
[Reference]
FY 3/18 2Q sales per capita:
353 Thousand yen
From FY 3/17:
Up 9,000 yen (2.6%)

Number of Skilled Staff (NISSO, Non-consolidated)

◆ Skilled staff are increasing as planned 4,000 staff expected by FY 3/19-end as planned

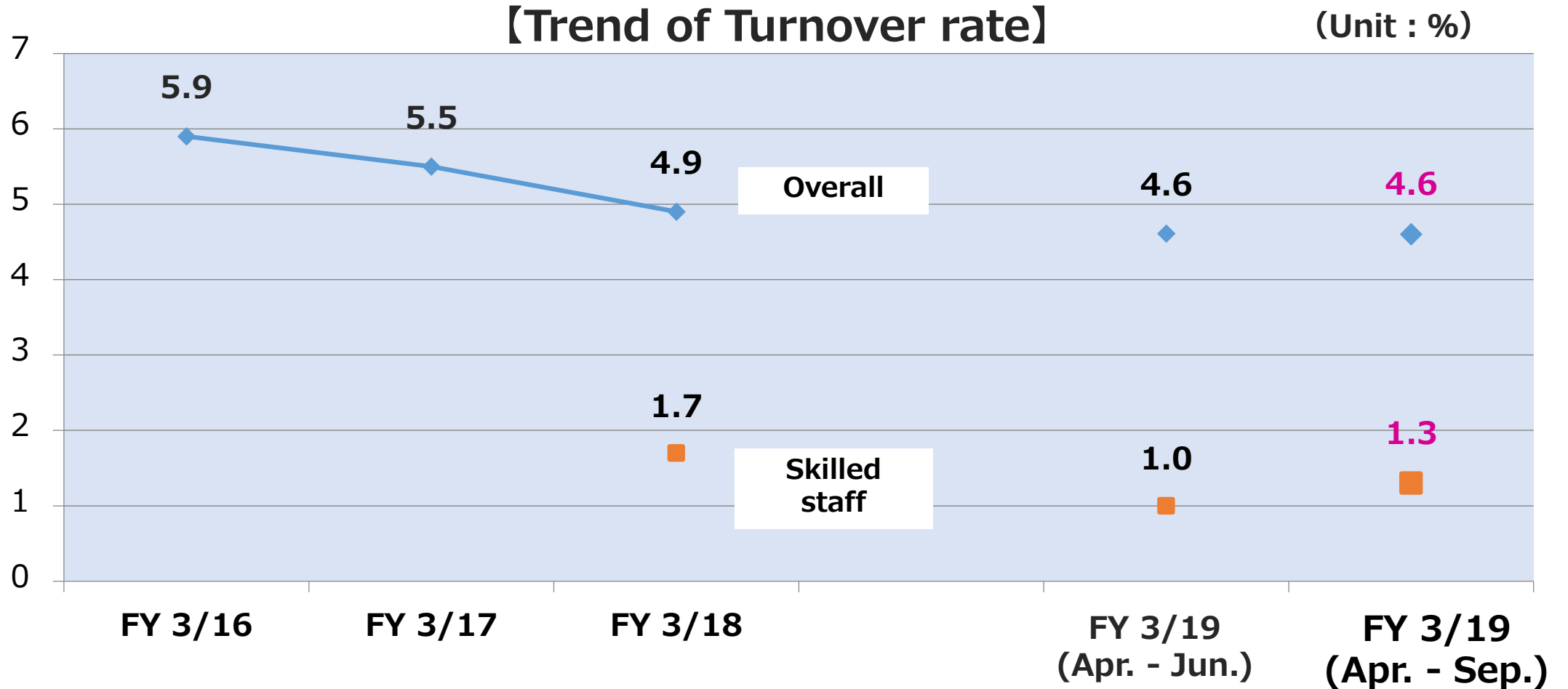
【Trend in # of skilled staff】

(Unit: # of staff)



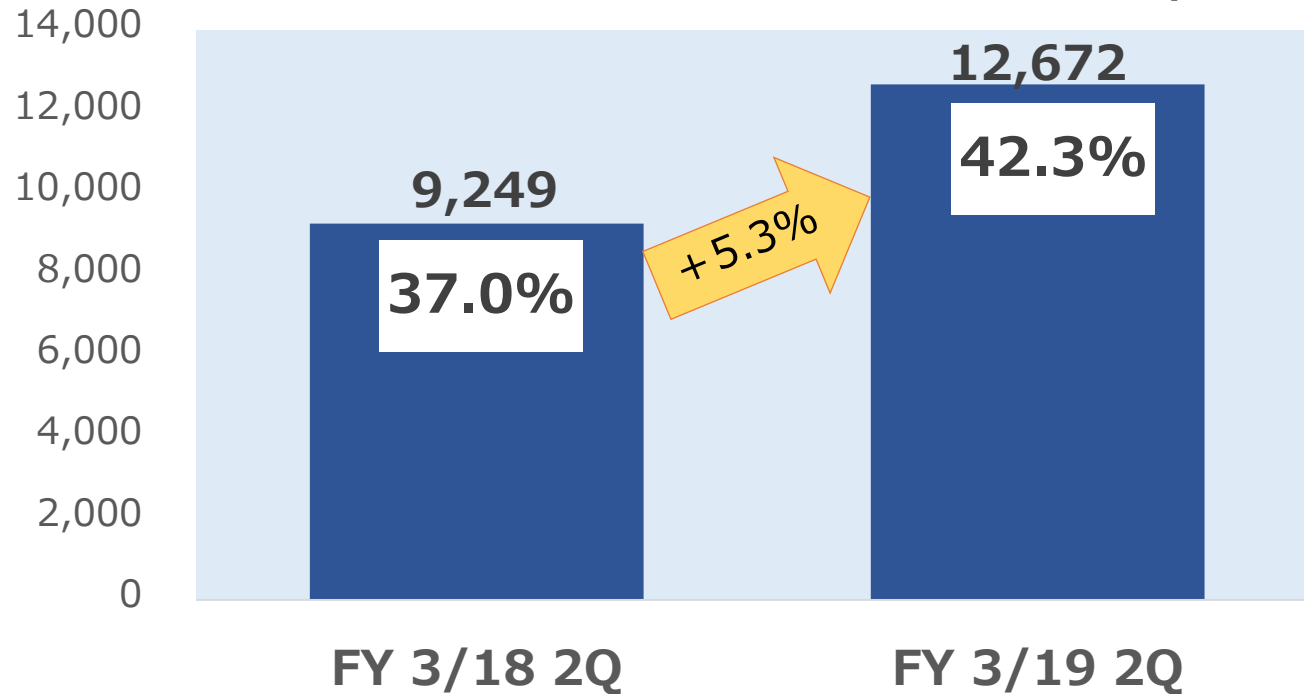
Turnover Rates (NISSO, Non-consolidated)

- ◆ Overall turnover rate is maintained at 4.6%
- ◆ Skilled staff turnover rate for 2Q: 1.3% (+ 0.3 pts vs. 1Q)



【Account Company Group Sales and % of Total】

(Unit : Million yen/%)



- Account Company Groups (automobiles / electronic components / precision equipment / electrical machinery): favorable production conditions continued
- Increase in sales due to reinforcement of skilled staff assignments to account companies and negotiation of unit costs; amounted to 42.3% of NISSO's sales shares in 2Q
- Production trends of account company groups are expected to remain strong hereafter

	FY 3/18 2Q	FY 3/19 2Q	Increase
Accounts total (4 Groups)	9,249	12,672	3,422
Total sales	24,983	29,969	4,985
% of Total	37.0%	42.3%	5.3 pts

[Reference]
FY 3/19 1Q: % of Total: 41.9%

Educational Achievements (NISSO, Non-consolidated)

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

(Unit: # of participants)

Training course name	2Q (Jul. - Sep.)	Total (Apr. - Sep.)	
Skilled staff education	393	916	Standard skilled staff education
Accredited vocational training education	80	143	Accredited vocational training school (Miyagi Prefecture)
Manufacturing education	975	2,148	Basic MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education
Safety education	264	466	Danger · risk simulation education
Basic maintenance education	58	92	Basic equipment maintenance education
Employee education	61	210	New graduate/mid-career entry training, newly appointed chief education, on-site supervisor education
Other education		22	Contracted education from external sources
Total	1,831	3,997	

- 1,831 educational participants for 2Q (FY total: 3,997)
- Participants for basic maintenance education are steadily increasing and are working at major semiconductor manufacturers upon course completion
- Participants for skilled staff education are assigned to high-unit cost production sites, including account companies, which lead to rise in sales per capita
- NISSO will continue to enhance various educational opportunities in order to provide higher quality of services in the future

◆ Nisso Technical Center Naka-Nihon

- Semiconductor manufacturing equipment maintenance participants: 6 terms 70 participants
Working at major semiconductor manufacturers
- Certified as an accredited polytechnic school (vocational skills development) by the Nagano Prefecture Governor (11/1)

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



◆ Yokohama Tsurumi Center

Opened: October 1, 2018

As a new recruiting approach, started proactive recruiting activities by utilizing both internal · external human resources information databases



【Yokohama Tsurumi Center exterior】

Topics ~ New Recruiting Channels

Business model establishment for utilization of excellent human resources by utilizing overseas business experiences · human networks



◆ Hiring of Chinese Graduates 1st Term: 10 graduates

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Welcoming Ceremony held at NISSO HQ

9 / 19~

Education at NISSO Technical Center

10 / 22~

Assignment to NISSO's clients



【 Beihua University HQ 】



	Market Environment	Nisso Group's Competitive Advantages
Client Market Environment	<p>Automobiles (Parts) Continued strong automobile production, including new technology-equipped vehicles</p> <p>Semiconductors · Electronic Components Continued high level of demand due to advancements of smartphones, automotive applications and other IoT developments</p>	<p>Promotion of skilled staff assignment to account companies in automobiles and electronic devices industries where NISSO has high market shares, efforts for further expansion of market shares and sales profit increases</p>
Recruiting Environment	<p>Continued rise of effective opening-to-application ratio of jobs (at 1.64 in September, 2018)</p> <p>Continued harsh conditions regarding securement of workers</p>	<p>Efforts to increase number of hires by expanding proactive recruiting through utilization of Yokohama Tsurumi Center opened in October, in addition to current recruiting methods</p>
Legal Environment	<p>2018 Issue...Possibility of employers terminating employment may arise after September</p> <p>Demand for provision of educational opportunities and establishment of career development support systems for workers (Revised Worker Dispatch Law)</p>	<p>Appointment of skilled staff, implementation of conversion to indefinite-term employment</p> <p>Enhancement of various educational opportunities such as utilization of educational facilities, continued promotion of human resources development</p>
Conclusion	<p>Although increase in demands for human resources services are expected to continue, harsh conditions for recruiting environment will also continue</p> <p>Human resources service providers will be required to be companies that are able to provide stable employment and conduct proper education and nurturing of workers</p>	<p>NISSO has continued to develop measures to correspond to market environments</p> <p>Furthermore, by promoting these initiatives, NISSO strives to expand business and aims to increase sales profits</p>

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Earnings Forecast for the First Six Months of FY 3/2019

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 increase in skilled staff, increase in sales per capita due to promotion of placement to account companies, and increase in # of residents for Other Businesses

■ Regarding Operating profit

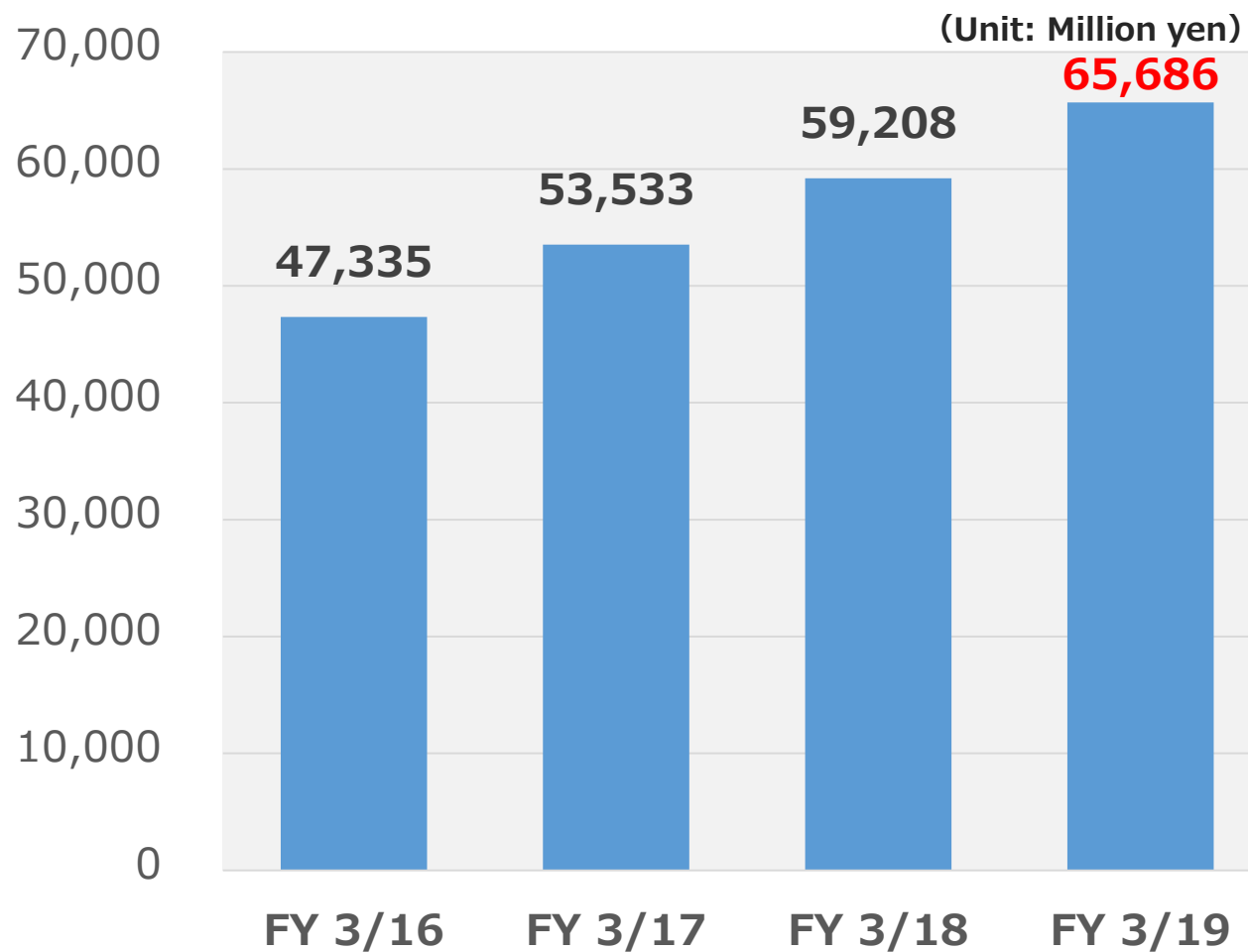
Although investments in education and housing costs of staff will increase and investment in new facilities for Other Businesses will precede, due to substantial increase in revenue and efforts to reduce SG&A costs ratio, **profit growth** is expected

(Unit: Million yen)

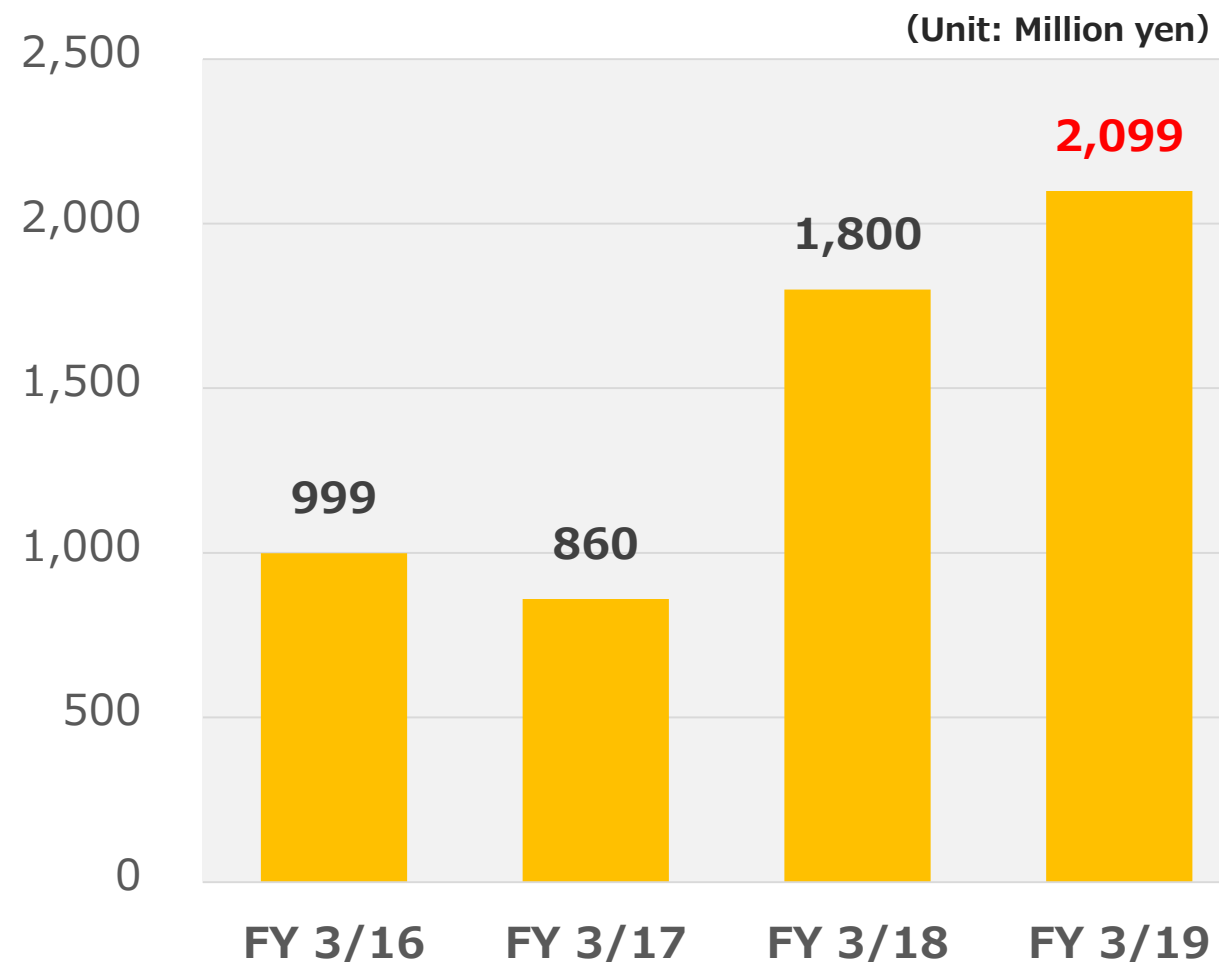
	FY 3/18 Results		FY 3/19 Forecast		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	59,208	100.0%	65,686	100.0%	+6,478	+10.9%
Operating profit	1,800	3.0%	2,099	3.2%	+299	+16.6%
Ordinary profit	1,781	3.0%	2,144	3.3%	+363	+20.4%
Profit attributable to owners of parent	1,014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

Outlook for Consolidated Earnings Forecast

Net sales



Operating profit



Forecast

Forecast

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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