

Financial Results Briefing Materials for the First Nine Months of FY 3/2019

February 8, 2019

NISSO CORPORATION



TSE1 Code:6569

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

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

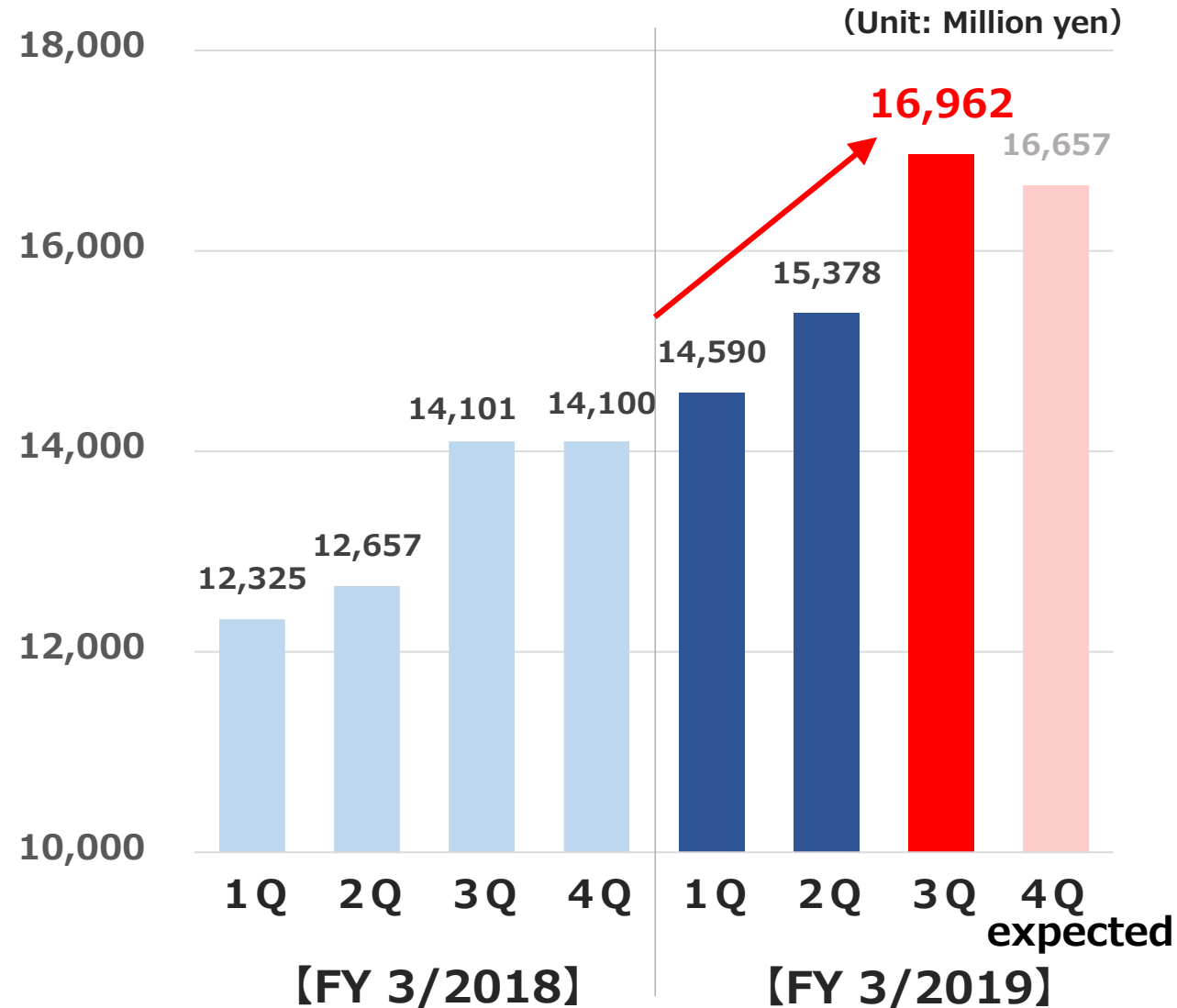


- ◆ Amid continued strong demand from clients such as the automobiles industry, sales and profits increased due to placement of skilled staff to high-unit cost clients, mainly account companies
- ◆ Although gross profit margin decreased by 0.2 pts YOY due to upfront costs such as housing and education accompanying staff increases, due to efforts to control increases in SG&A expenses, operating profit margin increased by 0.8 pts YOY

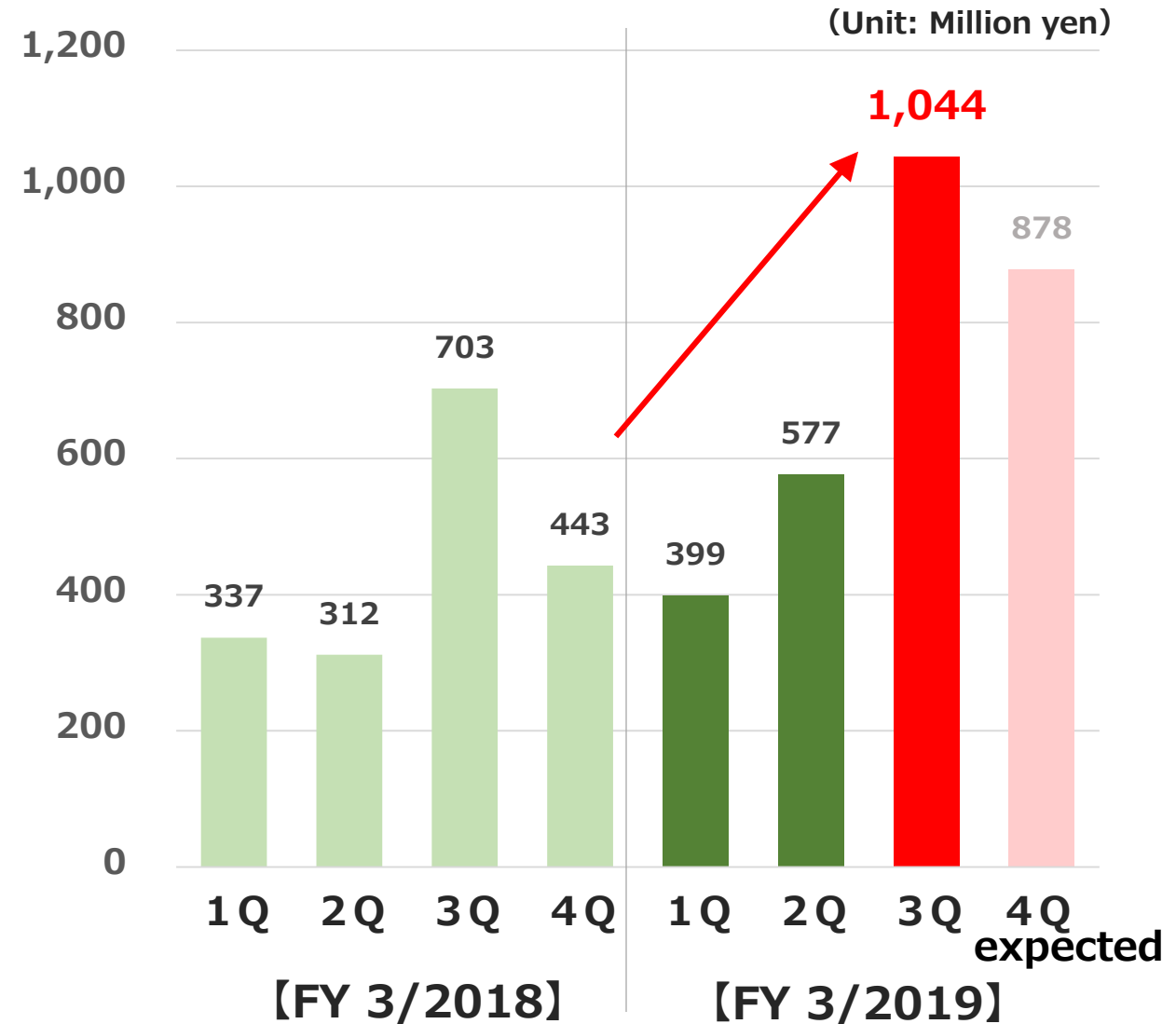
(Unit: Million yen)

	FY 3/2018 3Q		FY 3/2019 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	39,084	100.0%	46,931	100.0%	7,846	20.1%
Gross profit	7,147	18.3%	8,514	18.1%	1,366	19.1%
SG&A expenses	5,794	14.8%	6,492	13.8%	698	12.1%
Operating profit	1,353	3.5%	2,021	4.3%	668	49.4%
Ordinary profit	1,343	3.4%	2,011	4.3%	668	49.8%
Profit	854	2.2%	1,320	2.8%	465	54.5%

【 Net sales 】



【 Operating profit 】



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

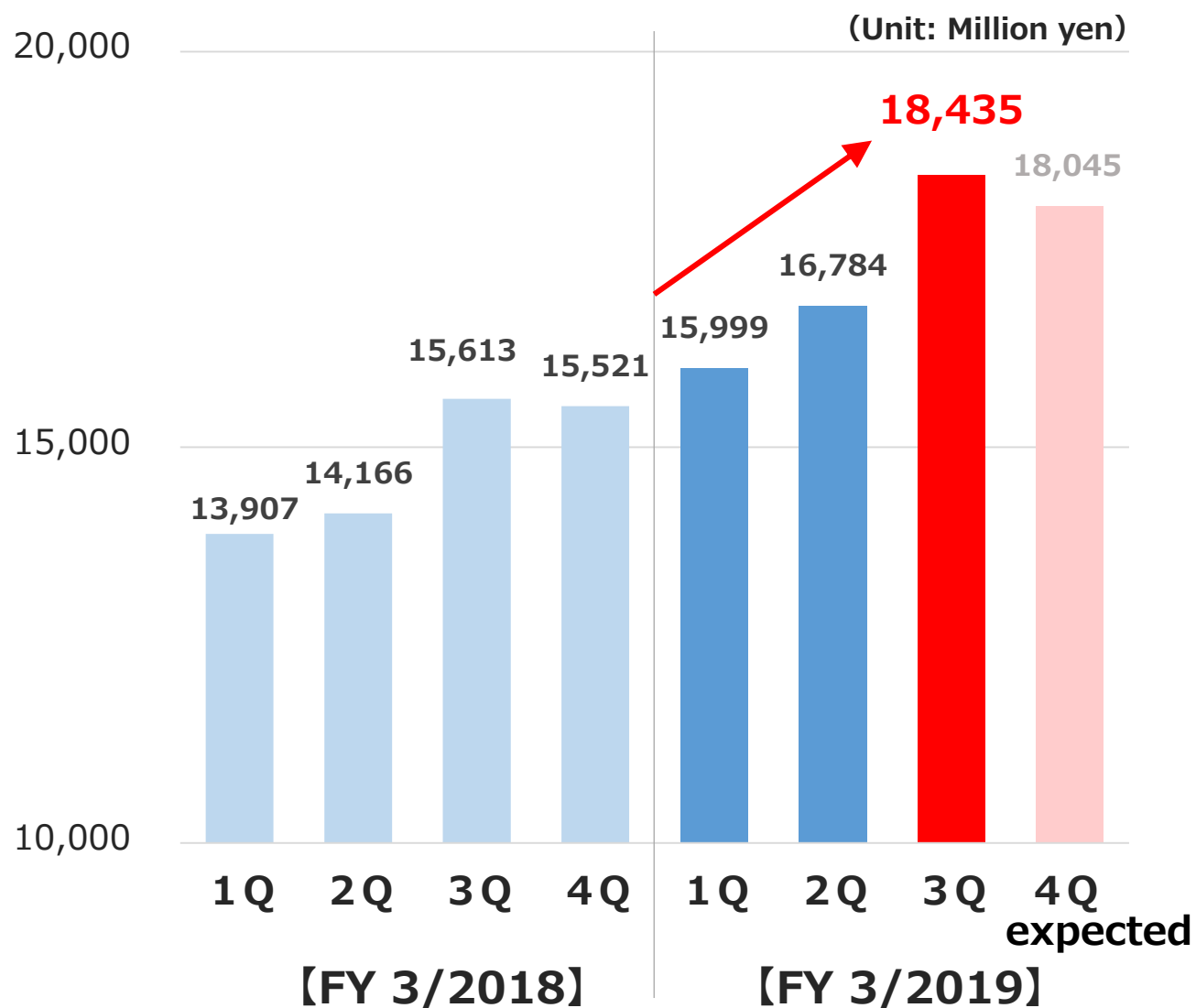


- ◆ NISSO: Promotion of increase in enrollment and assignment of skilled staff to account companies (high unit-cost companies), steady growth in financial results
- ◆ Nisso Nifty: Although sales increased due to increase in residents at Sweetpea Higashi Totsuka, occurrence of upfront investment continued

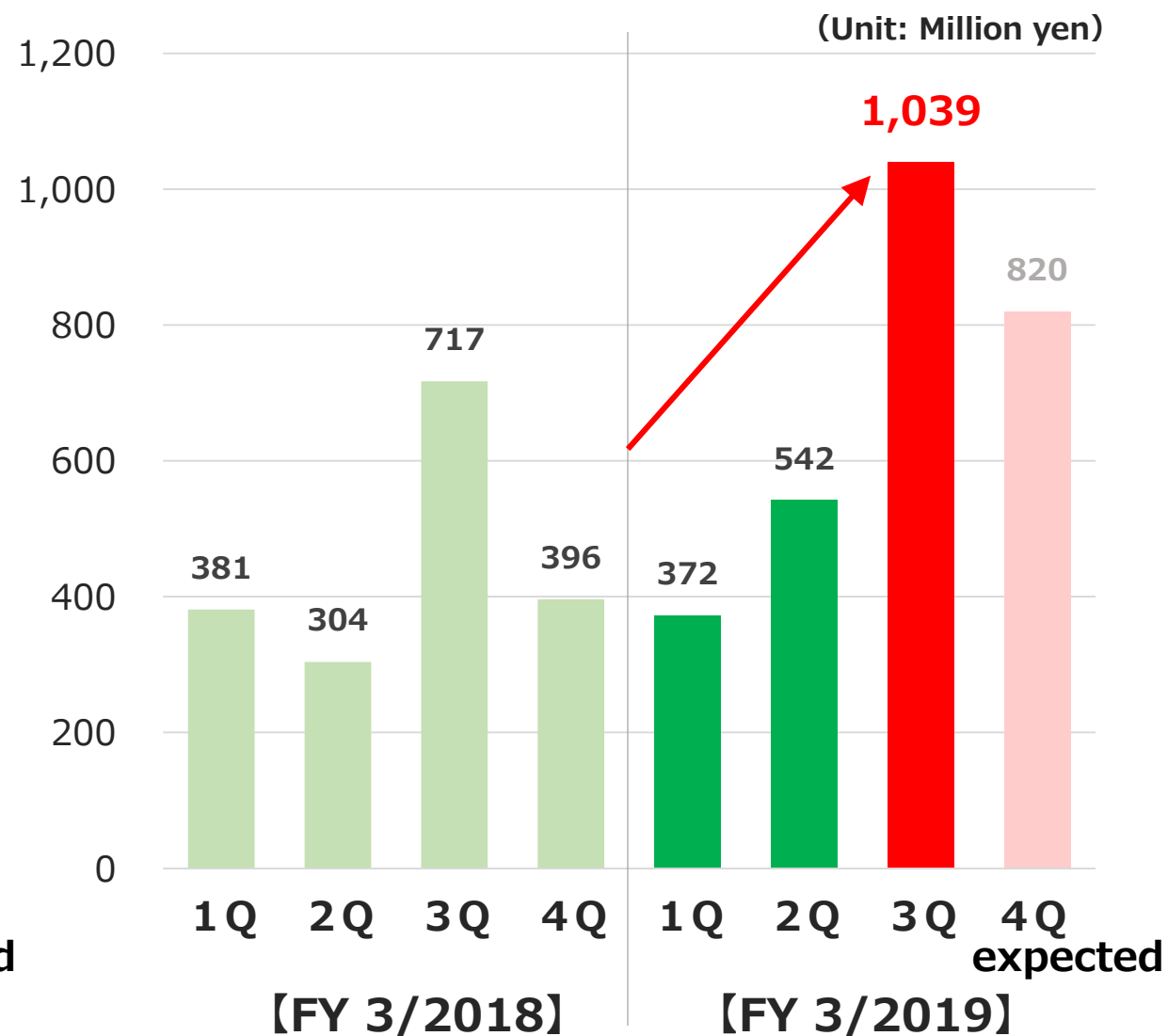
(Unit: Million yen)

	FY 3/2018 3Q		FY 3/2019 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	43,687	100.0%	51,219	100.0%	7,531	17.2%
Gross profit	7,774	17.8%	8,977	17.5%	1,202	15.5%
SG&A expenses	6,371	14.6%	7,022	13.7%	651	10.2%
Operating profit	1,403	3.2%	1,954	3.8%	551	39.3%
Ordinary profit	1,412	3.2%	1,971	3.8%	558	39.6%
Profit attributable to owners of parent	901	2.1%	1,286	2.5%	385	42.7%

【Net sales】



【Operating profit】



Other Businesses Business Revenue

【Other Businesses Results】

(Unit: Million yen)

	FY 3/18			FY 3/19			FY 3/18	FY 3/19
	1 st Half	3 Q	4 Q	1 st Half	3 Q	4 Q Forecast	Full year	Full year Forecast
Net sales	1,143	567	562	1,208	643	625	2,273	2,476
Expenses	1,174	579	621	1,351	692	700	2,374	2,744
Operating profit (loss)	(30)	(11)	(58)	(143)	(49)	(74)	(101)	(267)

- ◆ Net 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
- ◆ Shortfall in # of residents of Sweetpea Higashi Totsuka compared to plans, operating loss of 267 million yen is expected for the full year

《Fee-based senior-care nursing home # of residents as of 12/2018-end》

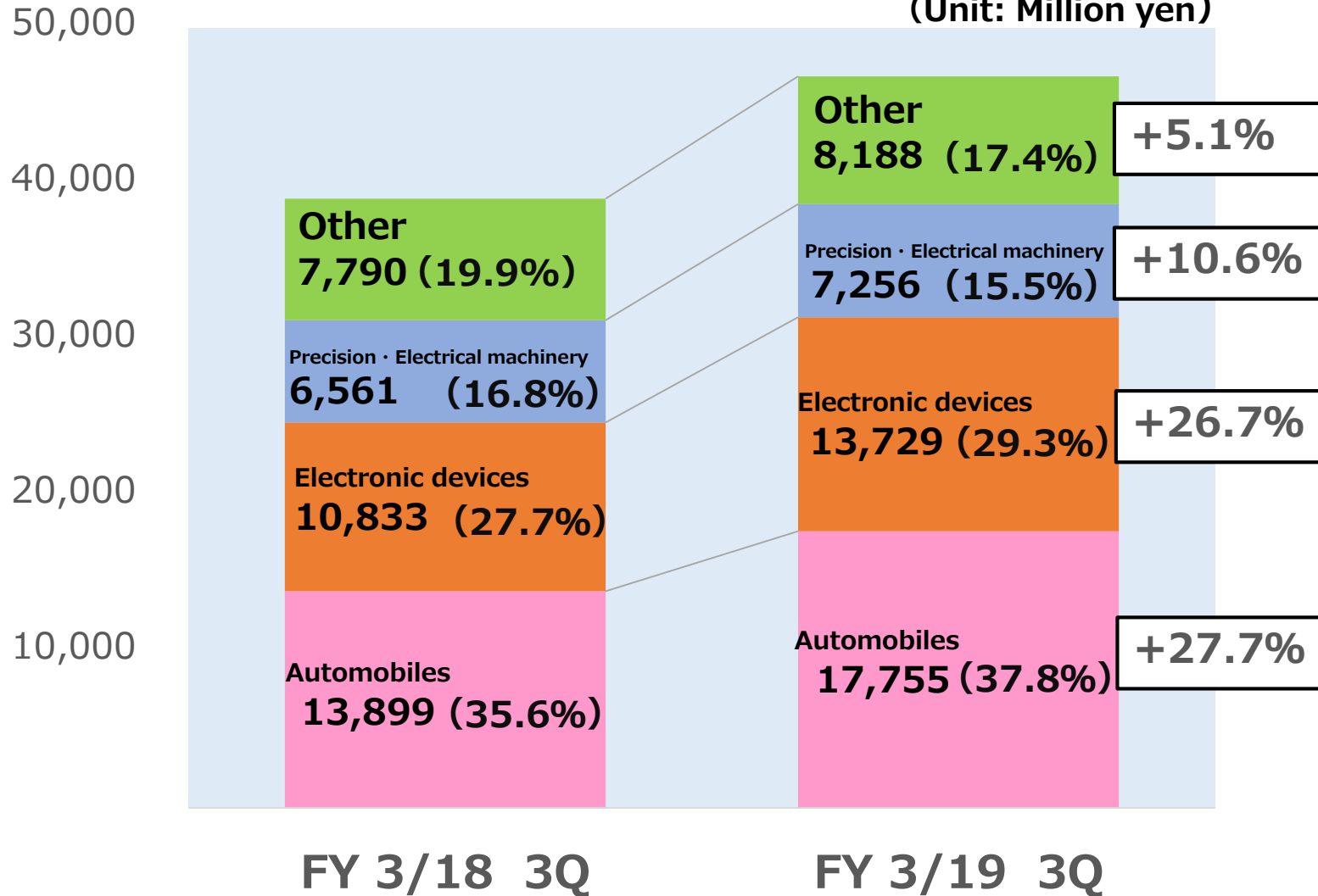
Bldg. #1 - 5	# of residents: 297	occupancy rate: 96.4%	(capacity: 308)
Bldg. #6 (Sweetpea Higashi Totsuka)	# of residents: 27	occupancy rate: 28.7%	(capacity: 94)

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



【 Trend of Net Sales Composition Ratios 】

(Unit: Million yen)



※ () = % of total sales

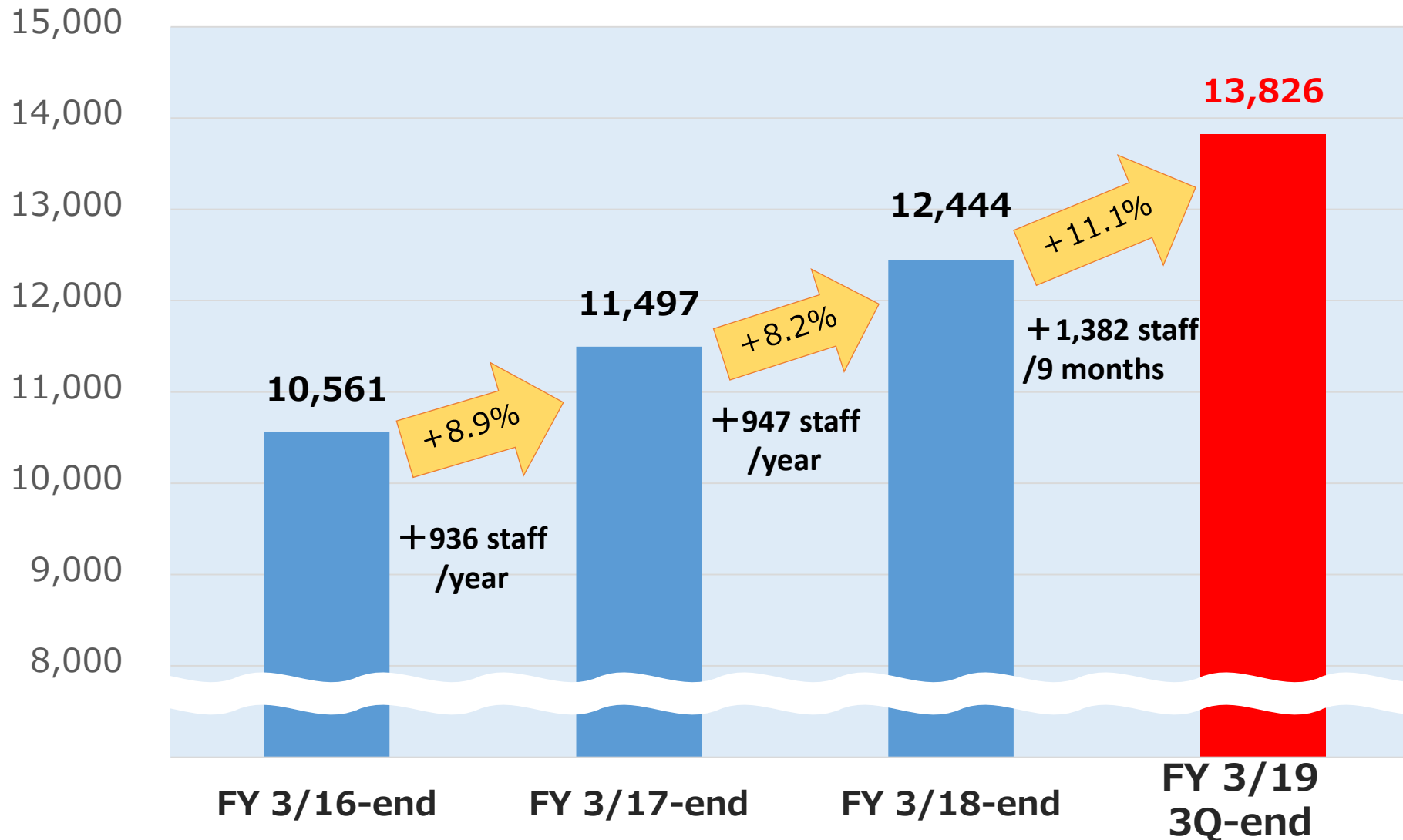
※ □ = % of Year-on-Year growth

- Strong performance in client markets, including automobiles industry where there is a high percentage of NISSO's net sales
- Automobiles: Domestic production remained strong
- Electronic devices: Although there is some decline in smartphones, continued increase in automotive electronics and semiconductor components as according to original plan

Trend of Enrolled Staff (NISSO, Non-consolidated)

【Trend of Number Enrolled at FY-end】

(Unit: # of staff)



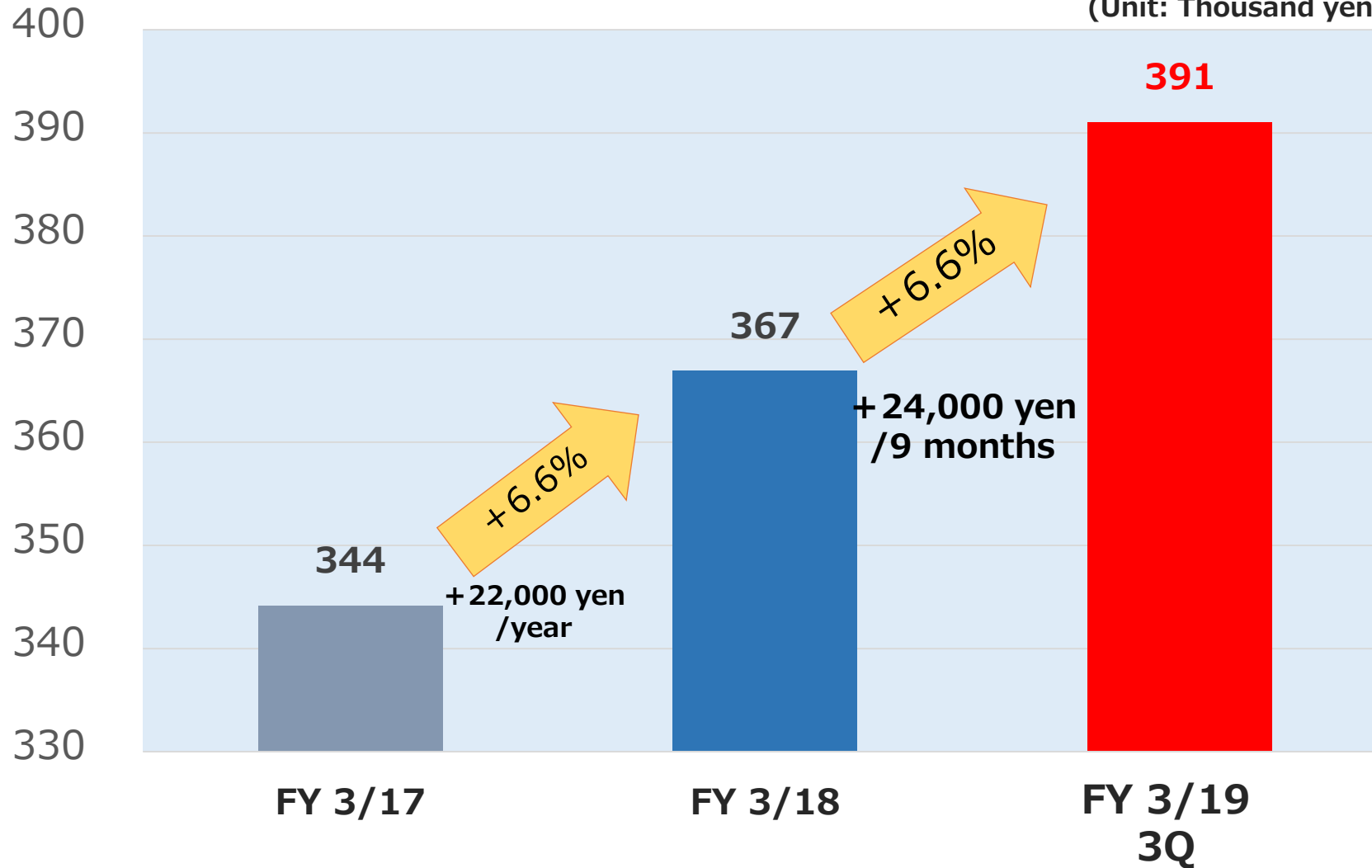
- From previous FY-end: Increase of 1,382 staff (11.1%)
- Significant increased enrollment in automobiles companies
- Demand for human resources is expected to remain high

[Reference]
 FY 3/18 3Q-end enrollment: 12,132 staff
 From FY 3/17-end: + 635 staff (5.5%)

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

【Net sales per capita (monthly average conversion)】

(Unit: Thousand yen)



- **FY 3/19 3Q:**
Up 24,000 yen from previous FY (6.6%)
- **Increase in net sales per capita due to placement of skilled staff and results of unit cost negotiations**

[Reference]
 FY 3/18 3Q net sales per capita:
 363 Thousand yen
 From FY 3/17:
 Up 19,000 yen (5.7%)

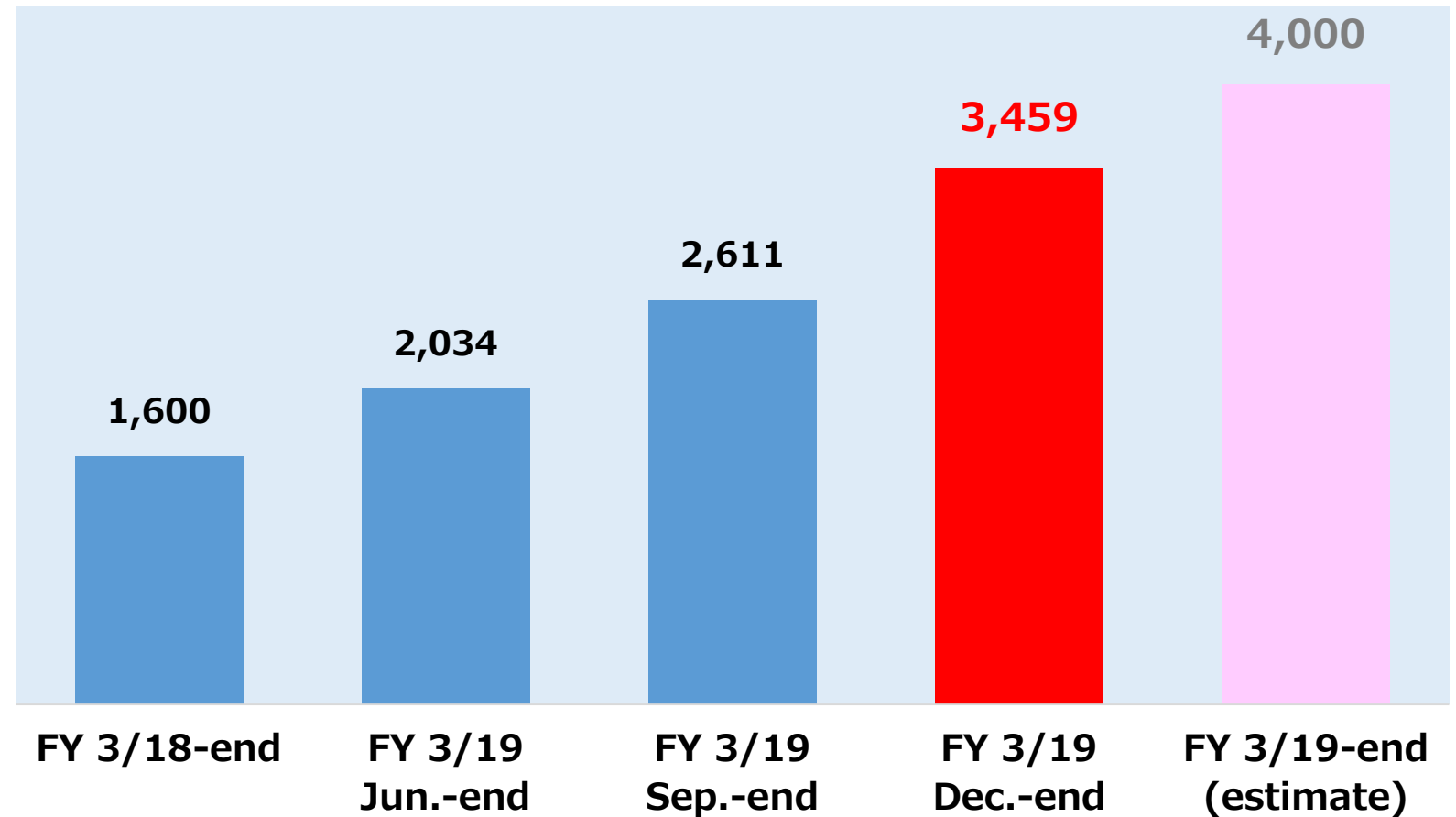
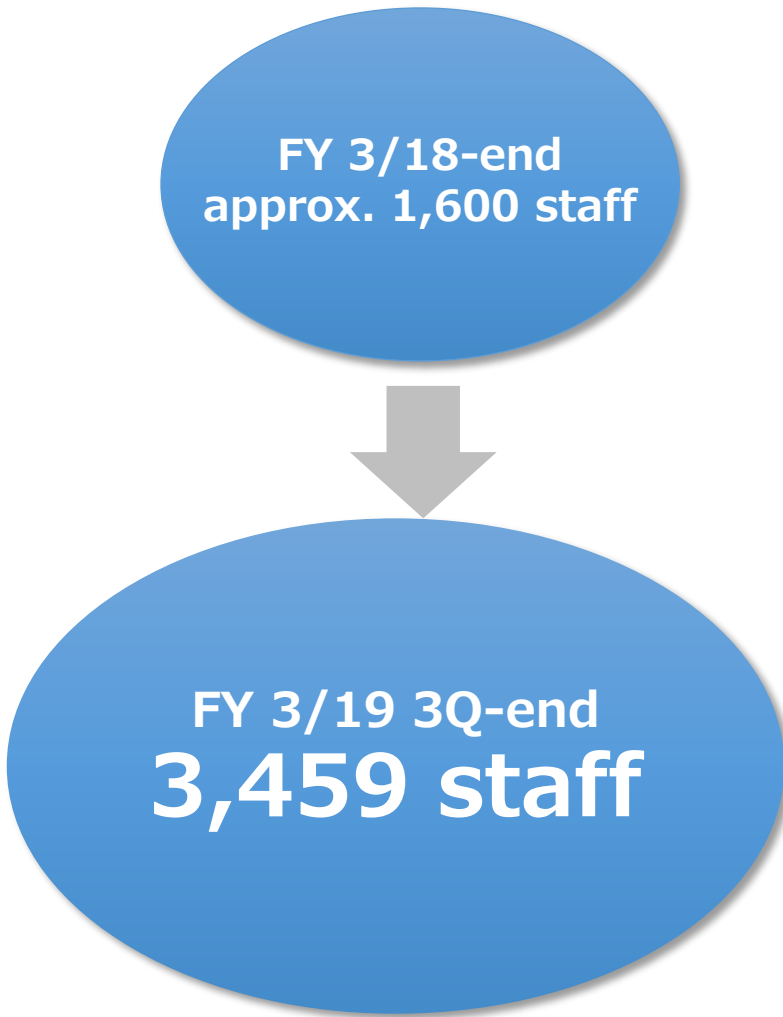
Number of Skilled Staff (NISSO, Non-consolidated)

Skilled staff are making gains as planned

4,000 staff expected by FY 3/19-end

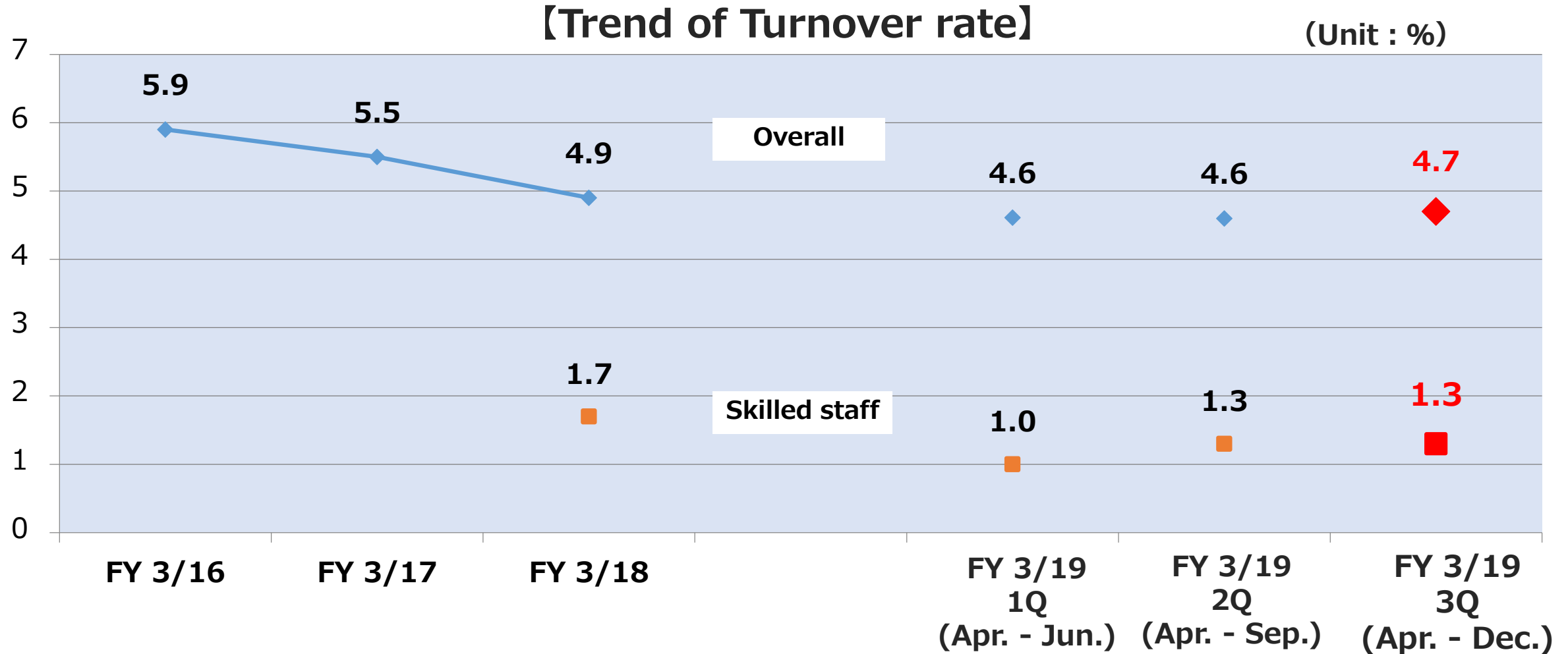
【Trend in # of Skilled Staff】

(Unit: # of staff)



Turnover Rates (NISSO, Non-consolidated)

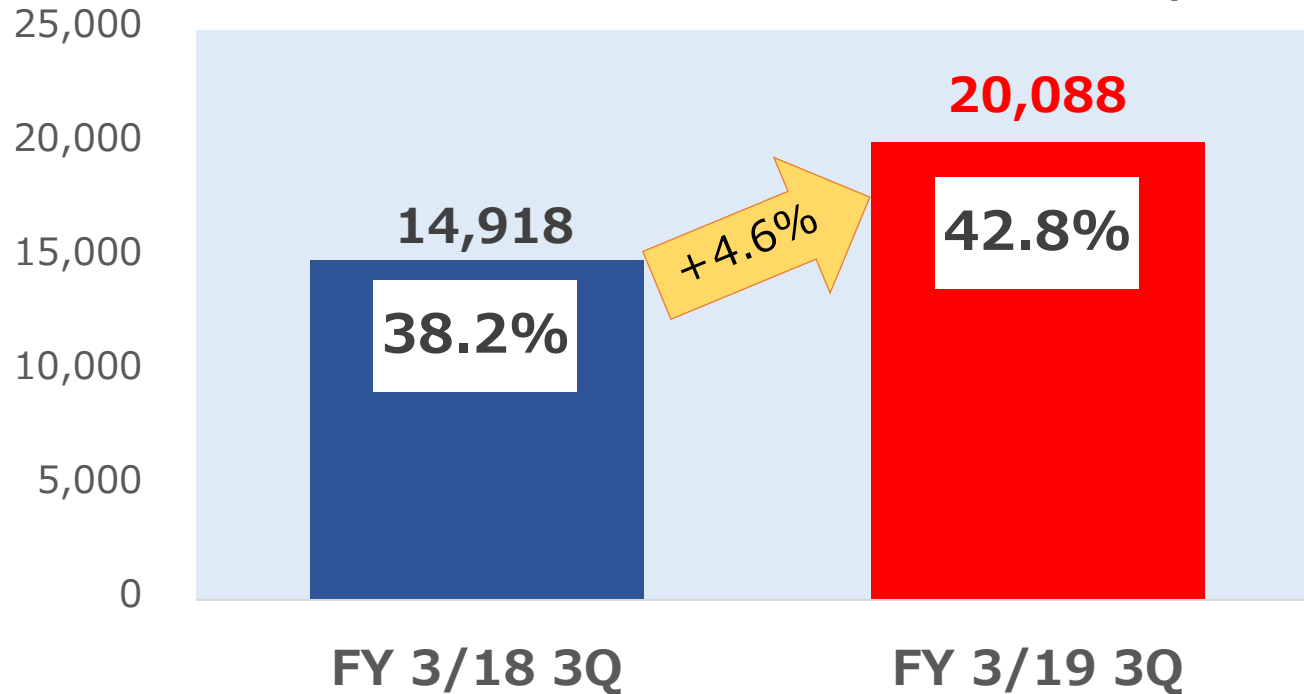
- ◆ Overall turnover rate: 4.7% (2Q + 0.1 pts)
- ◆ Skilled staff turnover rate is maintained at 1.3%



Account Companies (NISSO, Non-consolidated)

【Account Company Group Net Sales and % of Total】

(Unit : Million yen/%)



- Favorable production conditions continued for Account Company Groups
- Increase in sales due to reinforcement of skilled staff assignments to account companies and negotiation of unit costs; amounted to 42.8% of NISSO's sales shares in 3Q
- Production trends of Account Company Groups are expected to remain strong in the future

	FY 3/18 3Q	FY 3/19 3Q	Increase
Accounts total (4 Groups)	14,918	20,088	5,169
Total sales	39,084	46,931	7,846
% of Total	38.2%	42.8%	4.6 pts

[Reference]
FY 3/19 2Q: % of Total: 42.3%

Educational Achievements (NISSO, Non-consolidated)

[3Q Course-specific educational achievements (total # of participants)]

(Unit: # of participants)

Training course name	3Q (Oct. – Dec.)	Total (Apr. – Dec.)	
Skilled staff education	923	1,839	Standard skilled staff education
Accredited vocational training education	84	227	Accredited vocational training school (Miyagi · Nagano Prefectures)
Manufacturing education	372	2,520	MONOZUKURI (manufacturing){basic, expert} education, pre-assignment training for manufacturing staff, mobile education
Safety education	507	973	Danger · risk simulation education
Basic maintenance education	30	122	Basic equipment maintenance education
Employee education	31	241	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education
Other education		22	Contracted education from external sources
Total	1,947	5,944	

- 1,974 educational participants for 3Q (FY total: 5,944)
- Steady increase in participants for basic maintenance education, who work at major semiconductor manufacturers upon course completion
- Nisso Technical Center Naka-Nihon Semiconductor manufacturing equipment maintenance participants:
Current: 10th term
Total: 103 participants
- Participants for skilled staff education are assigned to high-unit cost production sites, including account companies, which lead to rise in sales per capita

【Automobiles-related】

Domestic automobiles production trends remain steady due to new car models planned

【Electronic Devices-related】

Although demand for smartphones is slowing down for products to China, demand for electronic components and semiconductors for automotive applications is continuously on the rise

【Recruiting Environment】

Effective opening-to-application ratio of jobs are at a high level, labor shortages continue in every industry

NISSO's client trends remain steady, expectations for the quality of human resources is high due to labor shortages, and demands continue to increase

NISSO was selected as First Place in the newly announced, first-time "Manufacturing Dispatching" ranking by Oricon Customer Satisfaction® ranking 2019

NISSO was ranked #1 in 3 out of 6 pre-set items: "Welfare Programs", "Response of Contact Personnel", and "Information Provided"

This award was announced by oricon ME Inc. (Head Office: Minato-ku, Tokyo, President: Koh Koike), a company that conducts actual-user satisfaction surveys "Oricon Customer Satisfaction®" (<https://life.oricon.co.jp/>), based on the concept of "visualizing 'out of sight' satisfaction".

<Manufacturing Dispatching Ranking Survey Overview>

of respondents : 1,033
of companies evaluated: 22
Survey period : 9/11 - 9/25/2018, 9/4 - 9/21/2017, 10/3 - 10/17/2016
Survey respondents : No gender specification, Age: 20+ yrs. old, Region: Nationwide
Conditions : Persons dispatched from dispatching companies within the past 7 years with manufacturing-related work experience





In order to achieve sustainable growth, NISSO is promoting initiatives to address E (environmental), S (social), and G (governance) related issues

[Main Initiatives]

	Issue	Content of Initiatives
Environment 環境	Reduction of environmental impact of business activities	<ul style="list-style-type: none"> • Acquisition of ISO14001 : 2015 certification (Headquarters) • Promotion of 5 activities prescribed in NISSO Environmental Policy <ul style="list-style-type: none"> ①Thorough reduction of electricity consumption in the office／②Promotion of eco-driving／ ③Thorough sorted collection of waste material／④Active contribution to local environmental conservation activities／⑤Increase of green purchasing rate of company-use equipment
Social 社会	Maintenance of pleasant work environment for everyone	<ul style="list-style-type: none"> • Provision of opportunities for persons with disabilities at special-purpose subsidiary, "Nisso Pure"
	Contributions to community & society	<ul style="list-style-type: none"> • Participation in community events and sporting events
Governance ガバナンス	Strengthening of Governance structure	<ul style="list-style-type: none"> • Implementation of self-evaluation and verification of the effectiveness of the Board of Directors, and Managing Director • Audit & Supervisory Board Member training
	Strengthening of Compliance structure	<ul style="list-style-type: none"> • Establishment of the Group Control Committee to share risk-related information and examine preventative measures, etc. across the Group
	Proper business management	<ul style="list-style-type: none"> • Checking of business processes and implementation of internal audits by division at headquarters with a focus on strengthening internal control

◆ NISSO promotes activities aimed at realizing the 10 Principles of UNGC and Sustainable Development Goals (SDGs)

Signing of, participation in "UN Global Compact (UNGC)" (Scheduled for March 2019)

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Earnings Forecast for FY 3/2019

FY 3/2019 Consolidated Earnings Forecast



◆ FY 3/2019 Consolidated Earnings Forecast

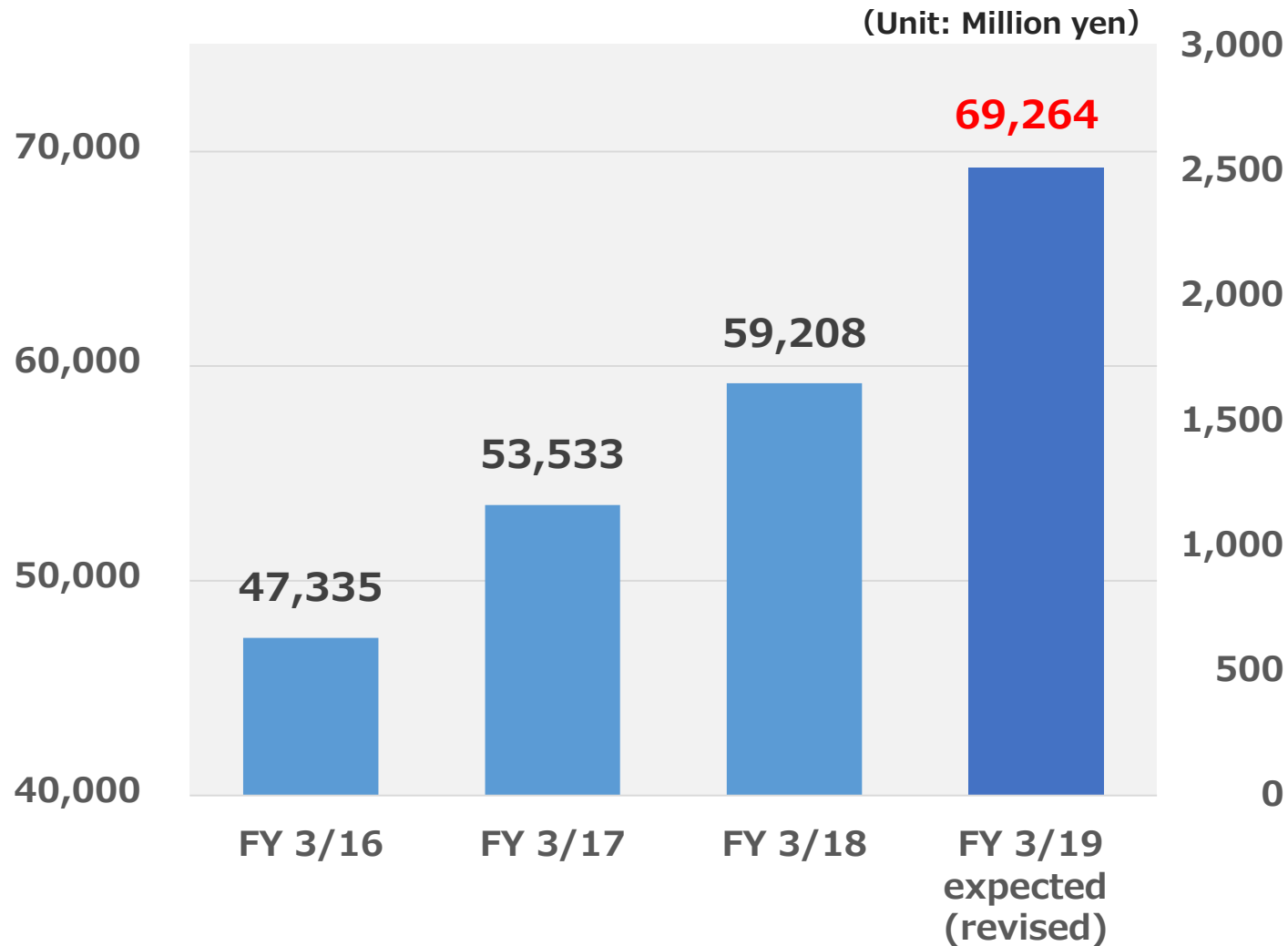
Based on NISSO's recent performance trends, the Consolidated Earnings Forecast for FY 3/2019 (Apr. 1, 2018 - Mar. 31, 2019) announced on May 10, 2018 has been revised.

◆ FY 3/2019 Consolidated Earnings Forecast Figures (Apr. 1, 2018 - Mar. 31, 2019)

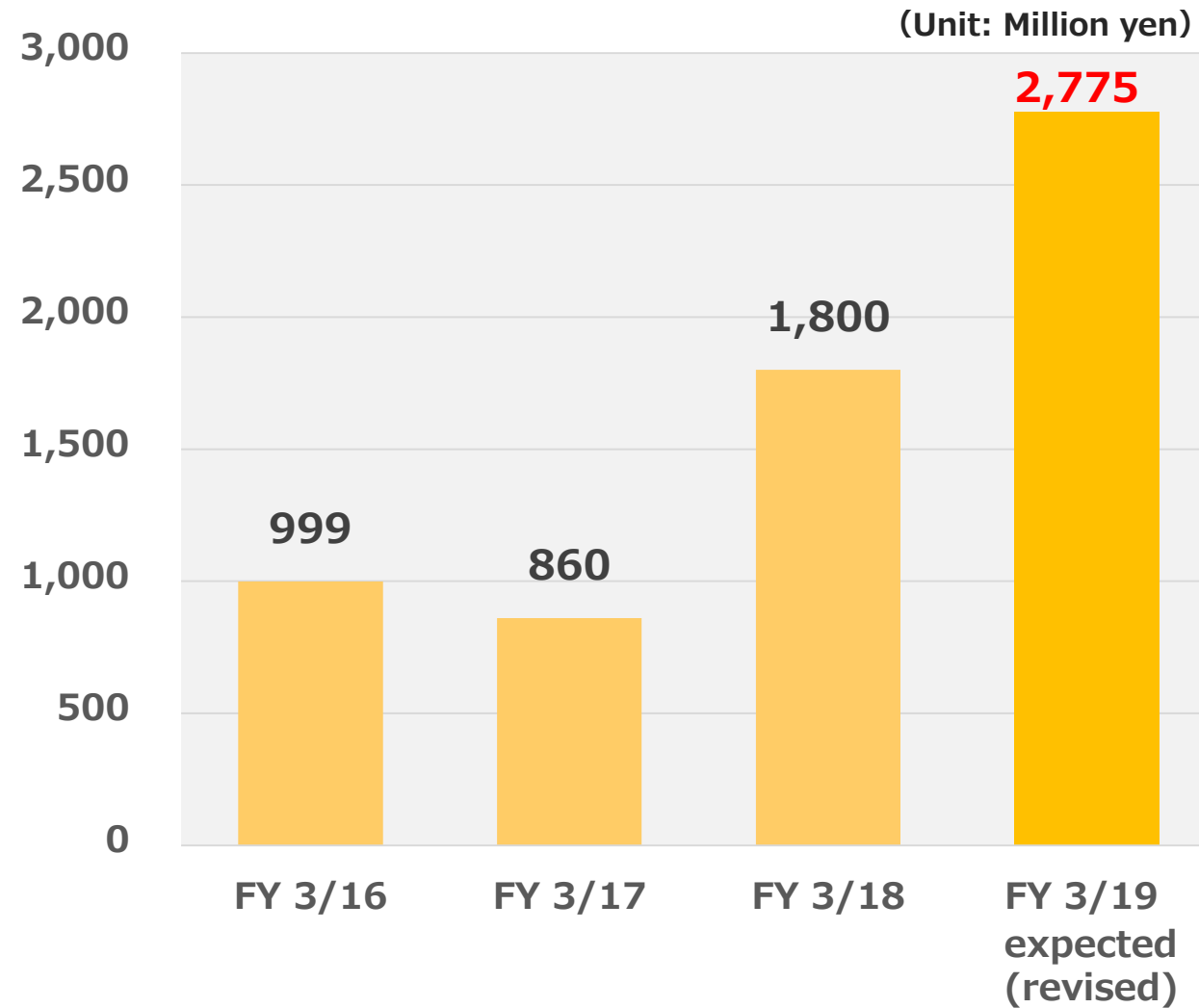
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast (A)	Million yen 65,686	Million yen 2,099	Million yen 2,144	Million yen 1,376
Present revised budget (B)	69,264	2,775	2,798	1,746
Change (B-A)	3,577	676	653	369
% Change	5.4	32.2	30.5	26.9
(Reference) Previous FY results (FY 3/2018)	59,208	1,800	1,781	1,014

Outlook for Consolidated Earnings Trend

Net sales



Operating profit



(Reference) FY 3/2019 Non-consolidated Earnings Forecast



◆ FY 3/2019 Non-consolidated Earnings Forecast

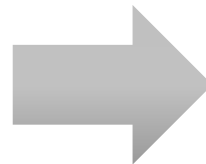
	FY 3/2019 Forecast		(Reference) Previous FY results (FY 3/2018)		Year-on-Year	
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	% Change
Net sales	63,589	100.0%	53,184	100.0%	10,404	19.6%
Operating profit	2,900	4.6%	1,796	3.4%	1,103	61.4%
Ordinary profit	2,890	4.5%	1,759	3.3%	1,131	64.3%

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Shareholder Return Policy

NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues, taking into consideration the balance between securing funds for growth investments and strengthening the corporate structure that can respond to changes in the business environment, and our basic policy is to continue to steadily redistribute profits to all of our shareholders.

FY 3/18 dividend payout
42.0 yen/share
(Consolidated dividend
payout ratio 27.7%)



FY 3/19 dividend
**Target consolidated
dividend payout
ratio 30%**

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Supplementary Materials

Quarterly Consolidated Balance Sheet

(Unit: Million yen, %)

	3/18-end		12/18-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	12,753	64.2	12,262	63.5	(490)
Cash and deposits	5,283	26.6	4,050	21.0	(1,233)
Notes and accounts receivable - trade	6,791	34.2	7,485	38.8	694
Non-current assets	7,117	35.8	7,036	36.5	(80)
Property, plant and equipment	4,994	25.1	4,996	25.9	1
Intangible assets	380	1.9	370	1.9	(9)
Investments and other assets	1,742	8.8	1,669	8.7	(72)
Total assets	19,870	100	19,299	100	(570)
Current liabilities	8,206	41.3	8,115	42.0	(91)
Current portion of long-term loans payable	501	2.5	174	0.9	(327)
Accrued expenses	4,331	21.8	4,604	23.9	273
Income taxes payable	632	3.2	462	2.4	(170)
Non-current liabilities	2,345	11.8	1,293	6.7	(1,052)
Long-term loans payable	1,883	9.5	788	4.1	(1,094)
Total liabilities	10,552	53.1	9,408	48.8	(1,143)
Shareholders' equity	9,130	45.9	9,746	50.5	616
Total net assets	9,317	46.9	9,890	51.2	573
Total liabilities and net assets	19,870	100	19,299	100	(570)

Point

① Increases 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 pertaining to dispatched staff, etc.

② Compression of interest-bearing liabilities

NISSO has repaid all of its long-term loans payable using funds procured at the time of initial listing and operating cash flows. As a result, "cash and deposits", "current portion of long-term loans payable", and "long-term loans payable" have decreased, respectively.

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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