

Financial Results Briefing Materials for FY 3/2019

May 14, 2019

NISSO CORPORATION

 **日総工産株式会社**

TSE1 Code:6569

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Financial Results Summary for FY 3/2019

FY 3/2019 Non-consolidated Financial Results Highlights



- ◆ Amid continued strong demand from clients such as the automobiles industry, sales and profits increased due to the assignment of skilled staff to high-unit cost clients, mainly Account Companies
- ◆ Improvements in the treatment of workers and increases in educational investment were absorbed with the increase in sales, and gross profit margin increased by 0.2 pts YOY; due to continued efforts to control increases in SG&A expenses, operating profit margin increased by 1.3 pts YOY

(Unit: Million yen)

	FY 3/2018		FY 3/2019		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	53,184	100.0%	63,474	100.0%	10,289	19.3%
Gross profit	9,616	18.1%	11,603	18.3%	1,987	20.7%
SG&A expenses	7,819	14.7%	8,641	13.6%	821	10.5%
Operating profit	1,796	3.4%	2,962	4.7%	1,165	64.9%
Ordinary profit	1,759	3.3%	2,943	4.6%	1,184	67.3%
Profit	1,000	1.9%	2,240	3.5%	1,240	124.0%

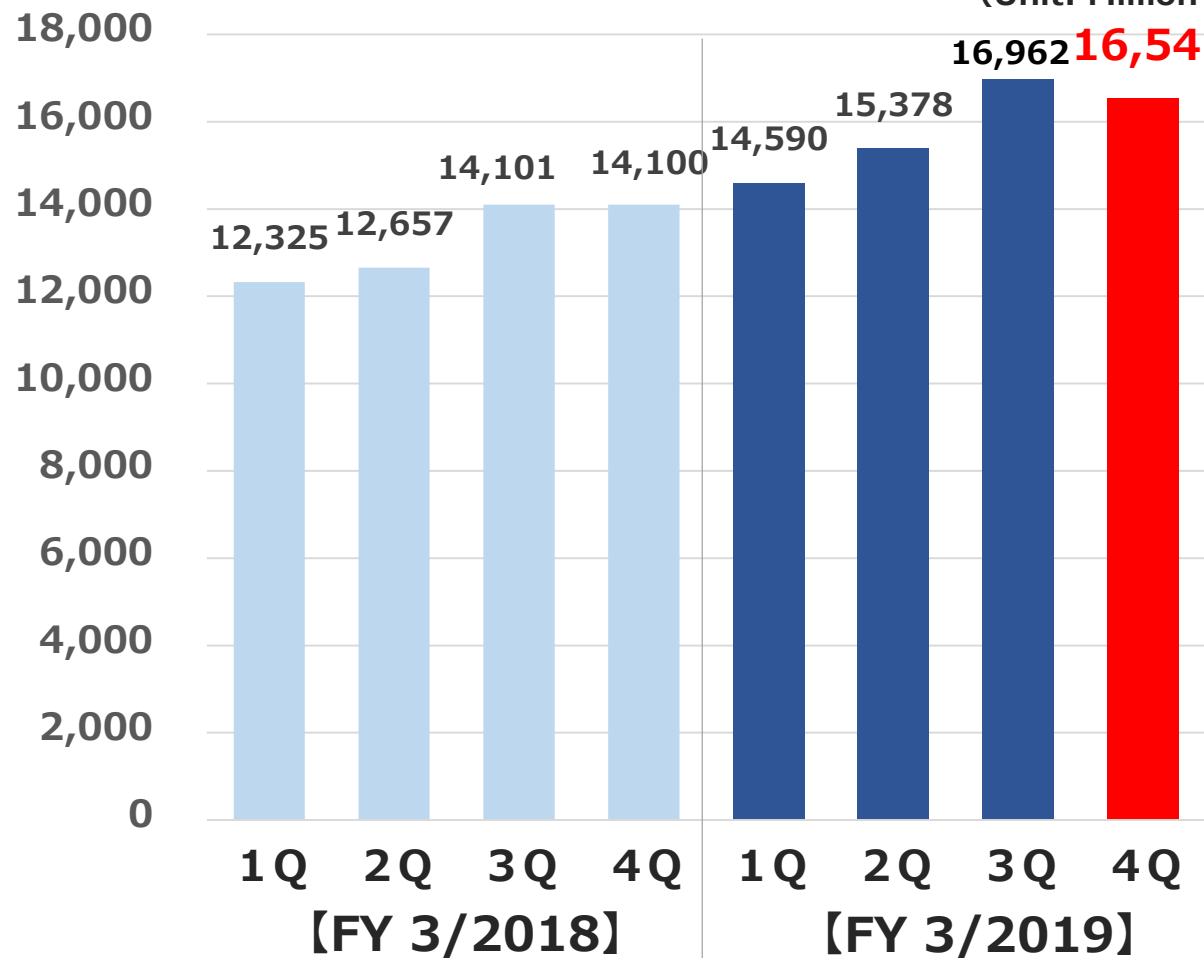
FY 3/2019 Non-consolidated Quarterly Financial Results Trend



◆ Due to the fewer number of operating days in 4Q, net sales and profits slightly decreased. Enrollment and incoming orders remain steady

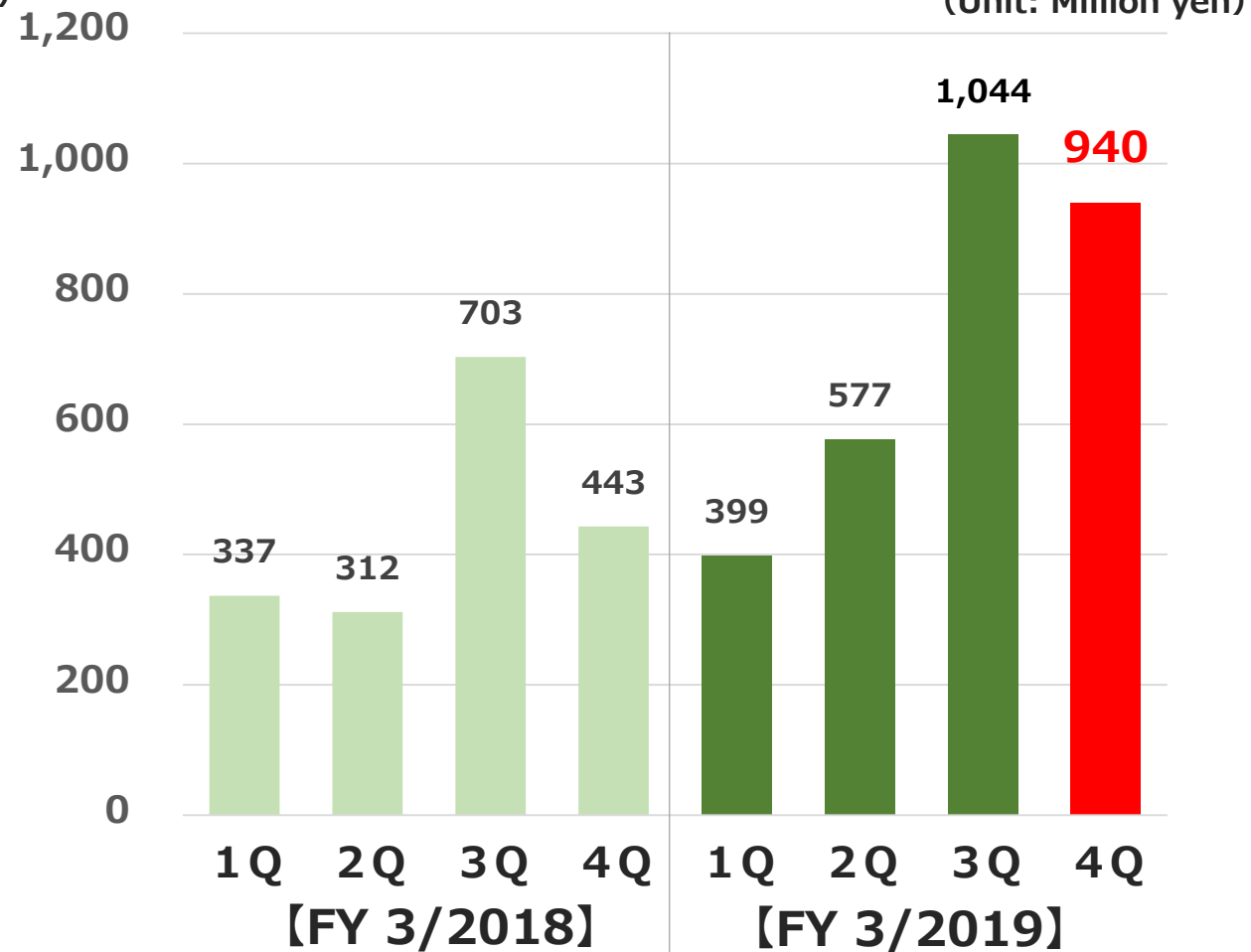
【Net sales】

(Unit: Million yen)



【Operating profit】

(Unit: Million yen)



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



- ◆ NISSO: Steady growth in financial results due to promotion of increases in enrollment and assignment of skilled staff to Account Companies (high unit cost companies), and results from unit cost negotiations
- ◆ In the current FY, increases in amounts of salary paid, domestic capital investment, and increases in education and training expenses met the applicable tax deduction requirements of the Act on Special Measures concerning Taxation, and were subject to special corporate tax deductions, thereby contributing to profits

(Unit: Million yen)

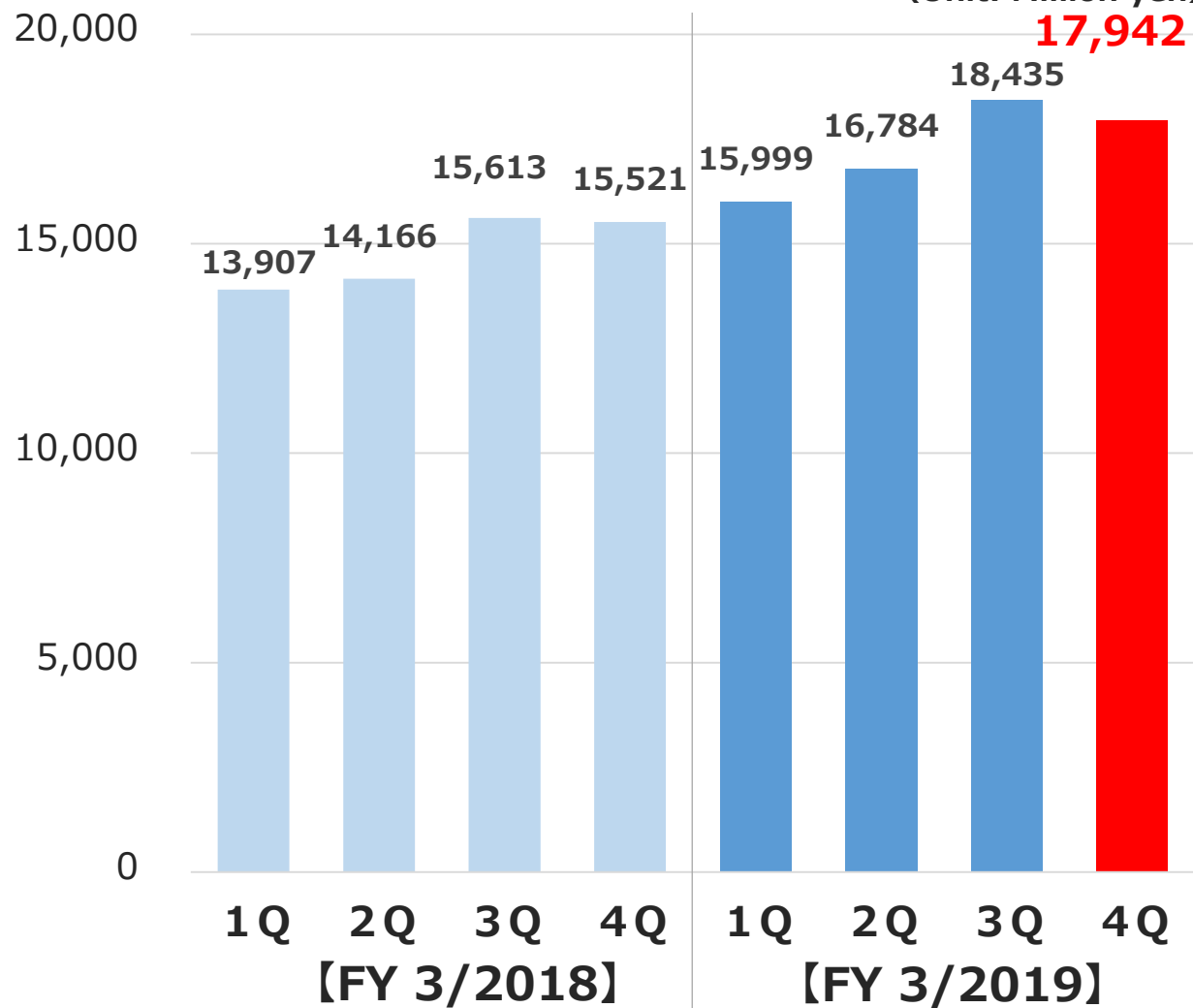
	FY 3/2018		FY 3/2019		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	59,208	100.0%	69,161	100.0%	9,953	16.8%
Gross profit	10,373	17.5%	12,239	17.7%	1,865	18.0%
SG&A expenses	8,573	14.5%	9,370	13.5%	796	9.3%
Operating profit	1,800	3.0%	2,869	4.1%	1,068	59.4%
Ordinary profit	1,781	3.0%	2,895	4.2%	1,113	62.5%
Profit attributable to owners of parent	1,014	1.7%	2,053	3.0%	1,039	102.4%

FY 3/2019 Consolidated Quarterly Financial Results Trend



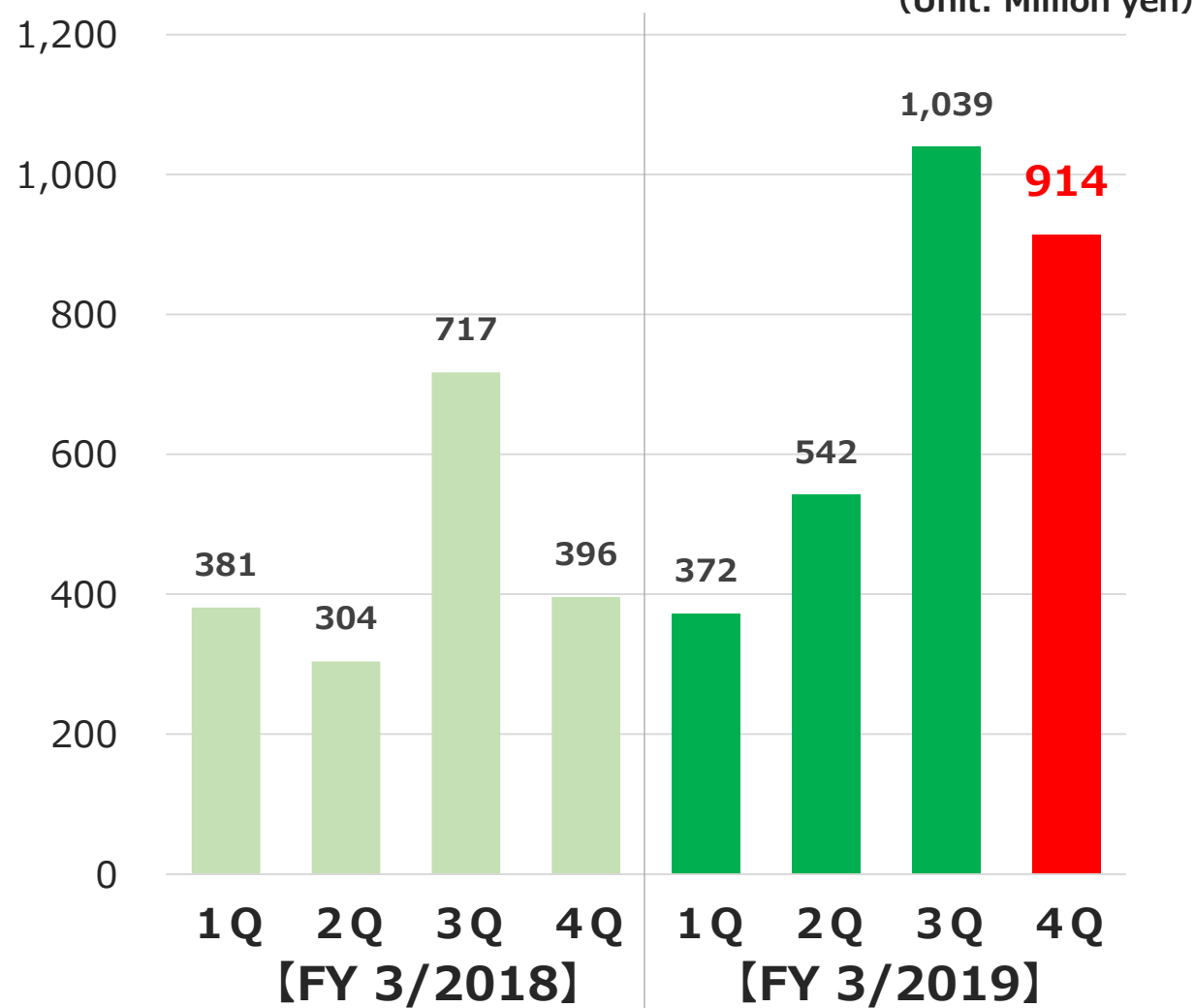
【Net sales】

(Unit: Million yen)



【Operating profit】

(Unit: Million yen)



【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	Full year	Full year
Net sales	1,143	567	562	1,208	643	634	2,273	2,485
Expenses	1,174	579	621	1,351	692	688	2,374	2,732
Operating profit (loss)	(30)	(11)	(58)	(143)	(49)	(54)	(101)	(247)

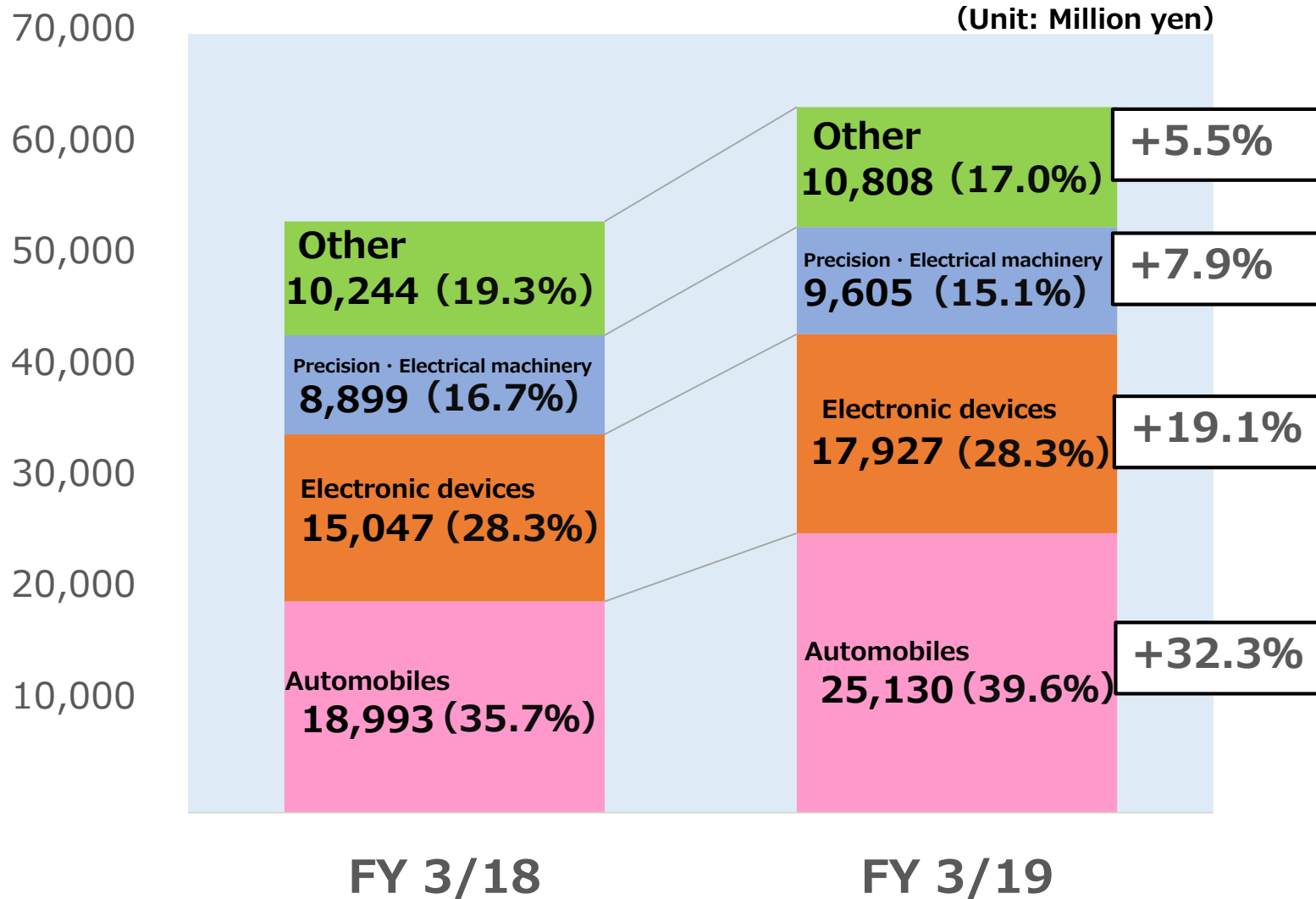
- ◆ Net sales increased due to increase in residents at Sweetpea Higashi Totsuka
- ◆ Although sales increased due to increase in residents at Sweetpea Higashi Totsuka, upfront investment expenses could not be absorbed

《Fee-based senior-care nursing home # of residents as of 3/2019-end》

Bldg. #1 - 5	# of residents: 295	occupancy rate: 95.7%	(capacity: 308)
Bldg. #6 (Sweetpea Higashi Totsuka)	# of residents: 33	occupancy rate: 35.1%	(capacity: 94)

Net Sales by Industry (NISSO, Non-consolidated)

【 Trend of Net Sales Composition Ratios 】



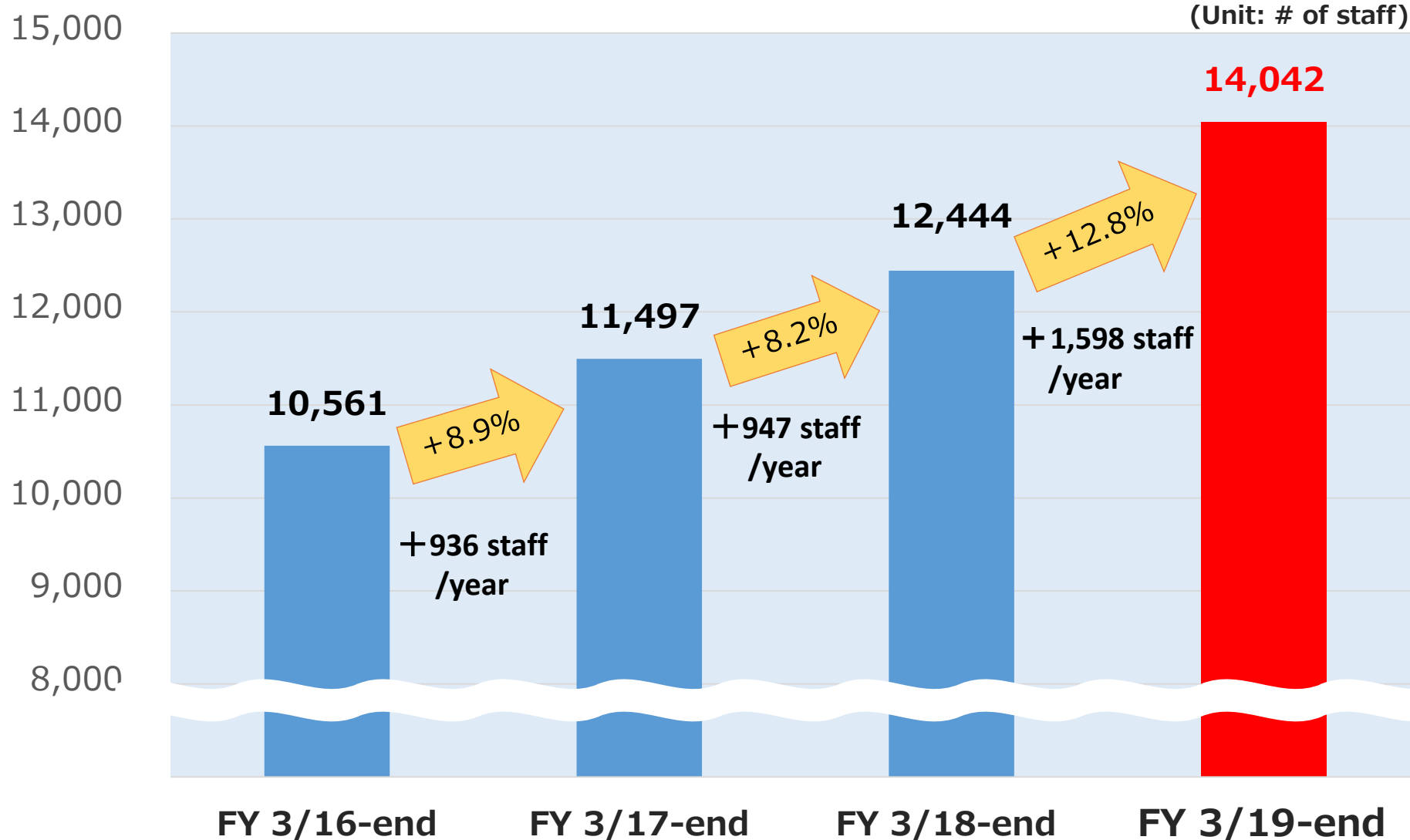
※ () = % of total sales

※ □ = % of Year-on-Year growth

- Continued strong performance in client markets, centering on automobiles industry where there is a high ratio of NISSO's net sales
- Automobiles: Domestic production remained strong, and expanded significantly from previous FY
- Electronic devices: Although there was some decline in demand from FY 3/19 2H, is according to original plan

Trend of Enrolled Staff (NISSO, Non-consolidated)

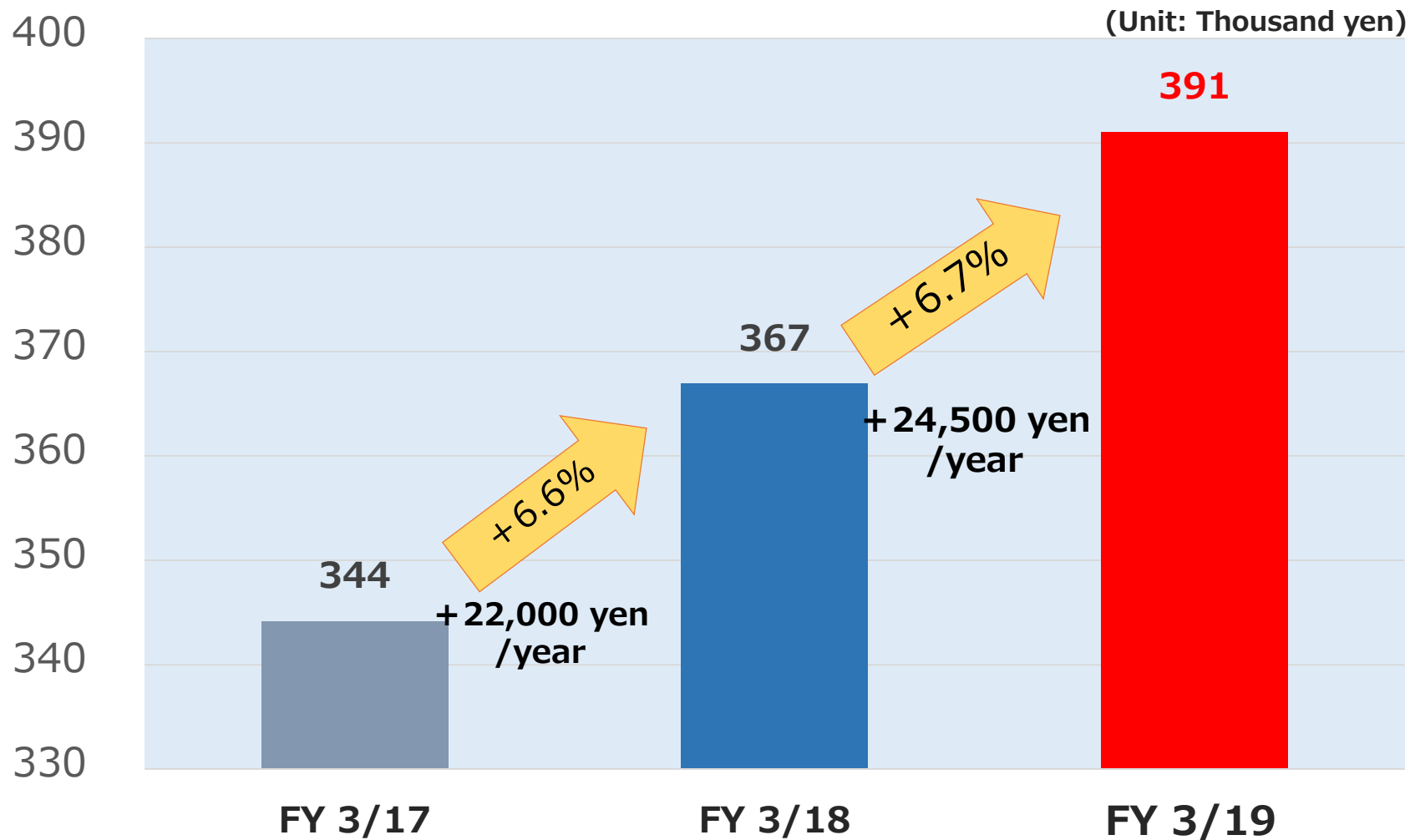
【Trend of Number Enrolled at FY-end】



- Enrollment at FY 3/19-end: 14,042 staff
From FY 3/18-end: Increase of 1,598 staff (12.8%)
- Continued significant increased enrollment in automobiles-related companies
- Demand for human resources by manufacturers is expected to remain high due to labor shortages

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

[Net sales per capita (monthly average conversion)]



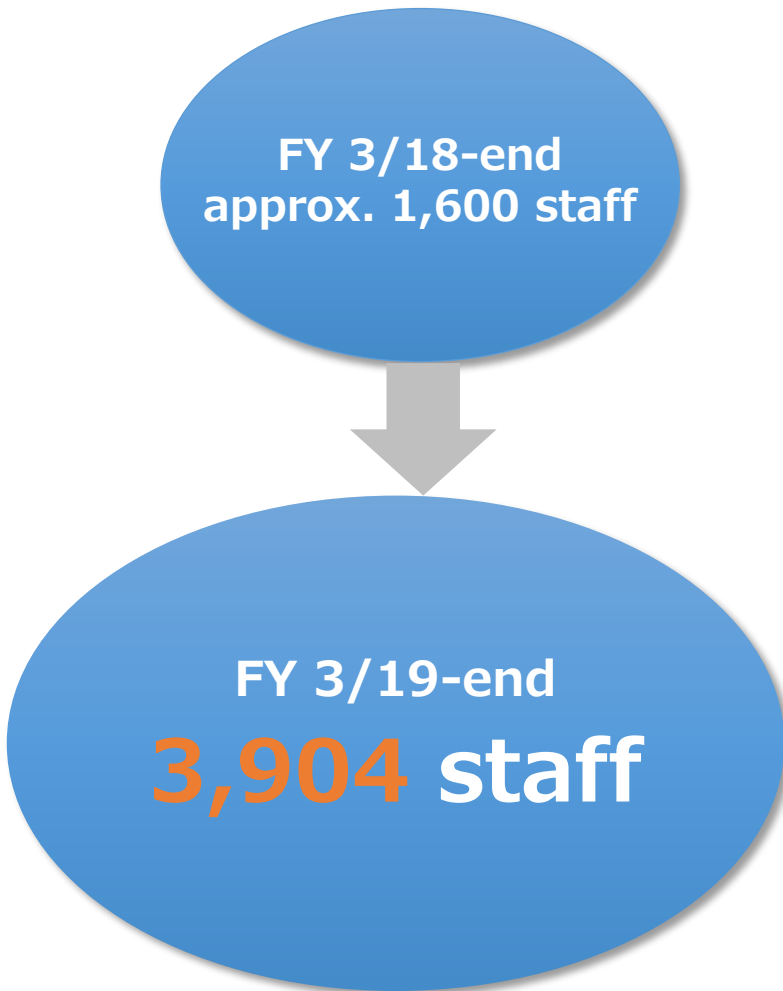
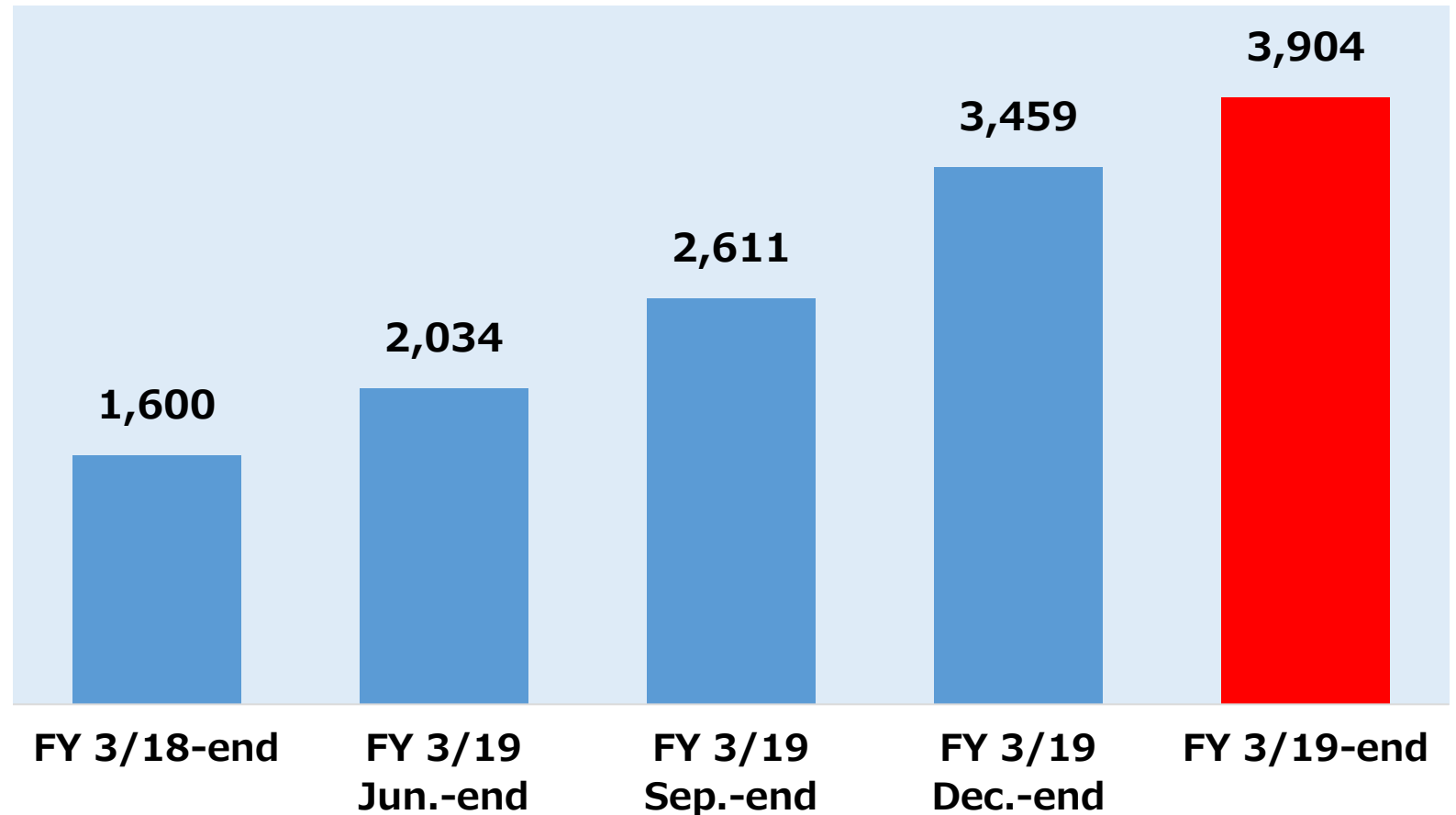
- FY 3/19 net sales per capita: 391 thousand yen
From FY 3/18:
Up 24,500 yen (+6.7%)
- Increase in net sales per capita due to result of unit cost negotiations associated with expansion of transactions with Account Companies through placement of skilled staff

Number of Skilled Staff (NISSO, Non-consolidated)

- ◆ Skilled staff are making gains according to plans
- ◆ FY 3/19-end: 3,904 staff (Enrollment as of April-end: 4,372 staff)

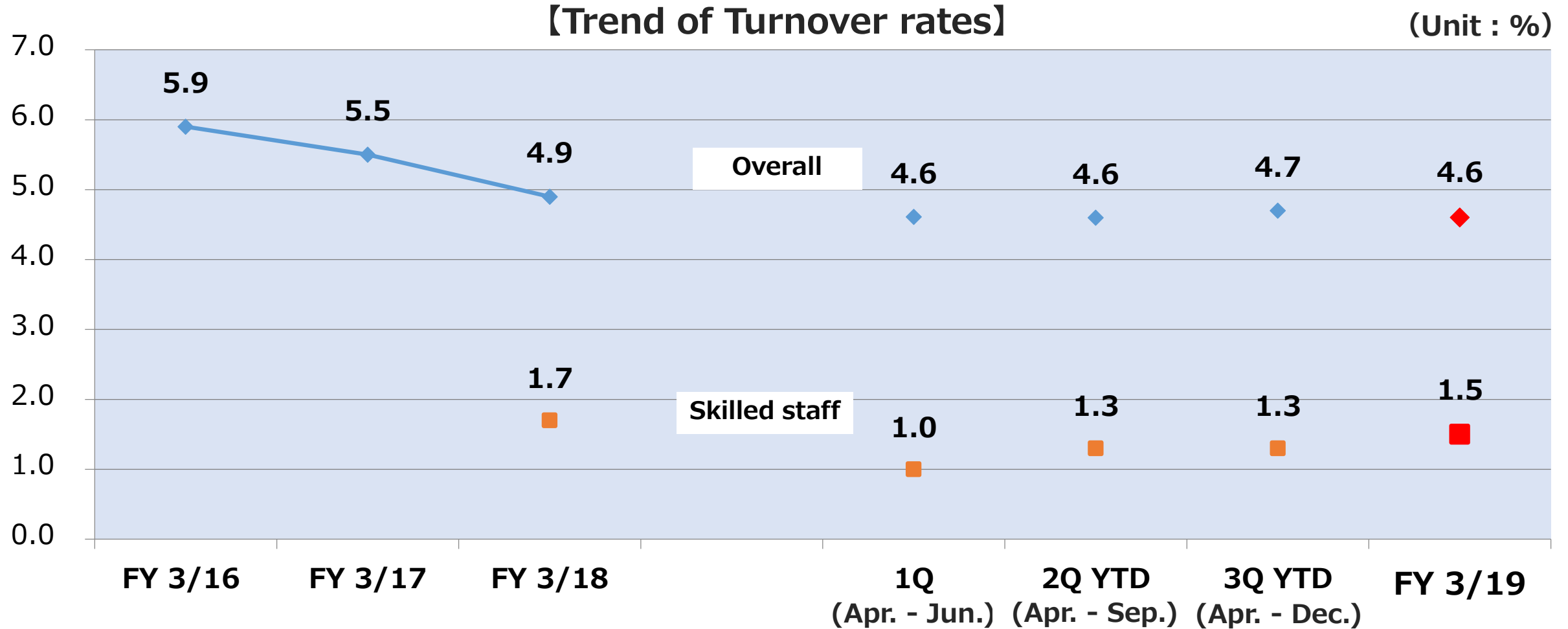
【Trend in # of Skilled Staff】

(Unit: # of staff)



Turnover Rates (NISSO, Non-consolidated)

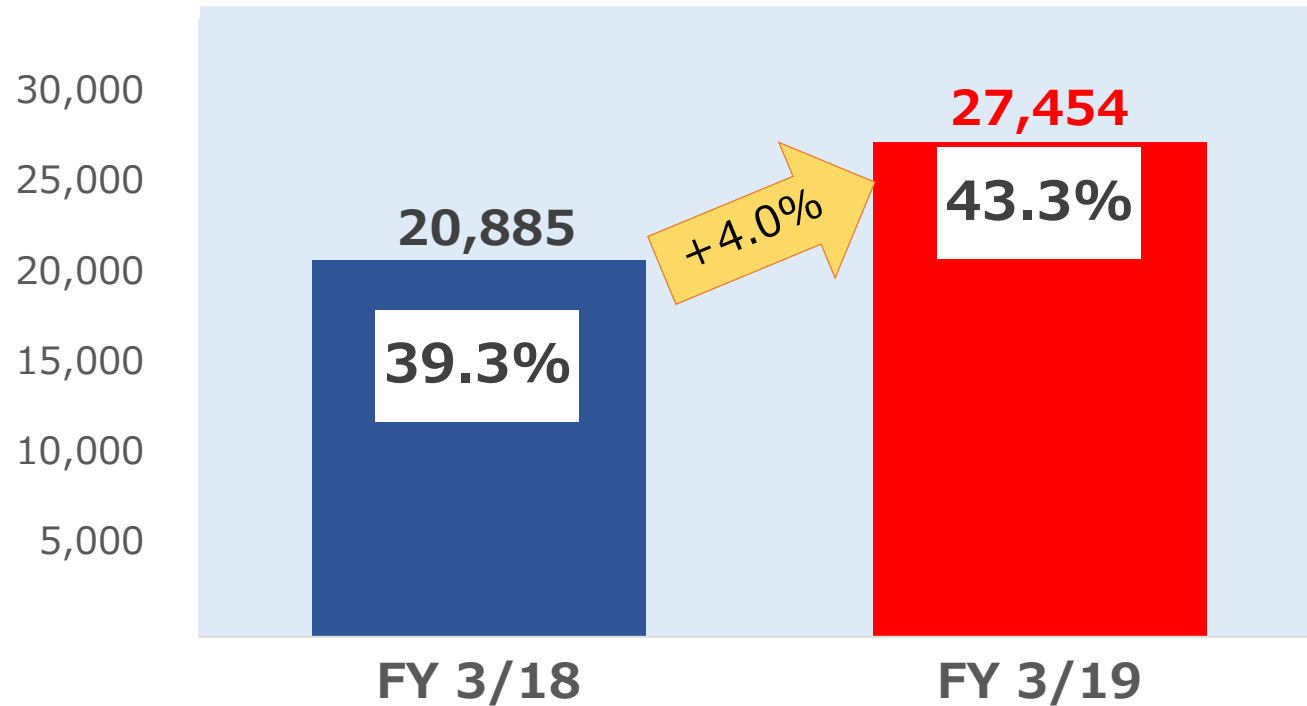
- ◆ FY 3/19 Overall turnover rate: 4.6% (declined by 0.3 pts YOY)
- ◆ FY 3/19 Skilled staff turnover rate: 1.5% (declined by 0.2 pts YOY)



Account Companies (NISSO, Non-consolidated)

【Account Company Groups Net Sales and % of Total】

(Unit : Million yen/%)



- Favorable production conditions continued for Account Company Groups, centering on automobiles company group
- Increase in net sales due to reinforcement of skilled staff assignments to Account Companies and negotiation of unit costs; amounted to 43.3% of NISSO's net sales shares in FY 3/19

	FY 3/18	FY 3/19	Increase
Accounts total (4 Groups)	20,885	27,454	6,569
Total net sales	53,183	63,474	10,289
% of Total	39.3%	43.3%	4.0 pts

[Reference]
FY 3/19 3Q: % of Total: 42.8%

Educational Achievements (NISSO, Non-consolidated)

[4Q Course-specific educational achievements (total # of participants)]

Training course name	1Q	2Q	3Q	4Q	Total	(Unit: # of participants)
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Mar	
Skilled staff education	523	393	923	683	2,522	Standard skilled staff education
Accredited vocational training education	63	80	84	91	318	Accredited vocational training school (Miyagi · Nagano Prefectures)
Manufacturing education	1,173	975	372	527	3,047	MONOZUKURI (manufacturing) {basic, expert} education, pre-assignment training for manufacturing staff, mobile education
Safety education	202	264	507	349	1,322	Danger · risk simulation education
Basic maintenance education	34	58	30	45	167	Basic equipment maintenance education
Employee education	149	61	31	51	292	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education
Other education	22				22	Contracted education from external sources
Total	2,166	1,831	1,947	1,746	7,690	

- 1,746 educational participants for 4Q (FY total 7,690)
- Steady increase in participants for basic maintenance education
- Nisso Technical Center Naka-Nihon Semiconductor manufacturing equipment maintenance participants:
FY Total 127 participants
- Participants for skilled staff education are assigned to high-unit cost production sites, including Account Companies, which lead to increase in net sales per capita
- NISSO will continue to improve added value of provided services through practical education and training in the future

[Examples of Account Company Initiatives]

- **The scheme of "Trained Skilled Staff Assignment", which is NISSO's priority initiative, was established, and NISSO received high evaluations for high quality services through pre-employment education; entry to new plant was decided (Electronics Manufacturer Group)**
- **Recognized for our assignment achievements, retention, and training efforts, NISSO was selected as one of the main suppliers by a major electronics group company (Electronics Manufacturer Group)**
- **With the consolidation of dispatching business operators being reduced from 10 companies to 5 companies, NISSO was highly regarded for our trained skilled staff, continuing business with the client and expanding our shares (Automobiles Manufacturer Group)**
- **Among 27 dispatching operators engaged in transactions, NISSO's achievements in fulfillment and retention were highly assessed, and NISSO received commendation/award (Automobiles Manufacturer Group)**

【Automobiles-related】

Domestic demand for automobiles (standard · small) is expected to remain unchanged from the previous fiscal year

【Electronic Devices-related】

Although demand for smartphones is decelerating, automotive- and 5G communications-related components sectors are promising, and expected to grow

【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, client expectations for the quality of human resources exceed labor shortages, and demands continue to increase

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Earnings Forecast for FY 3/2020

FY 3/2020 Consolidated Earnings Forecast



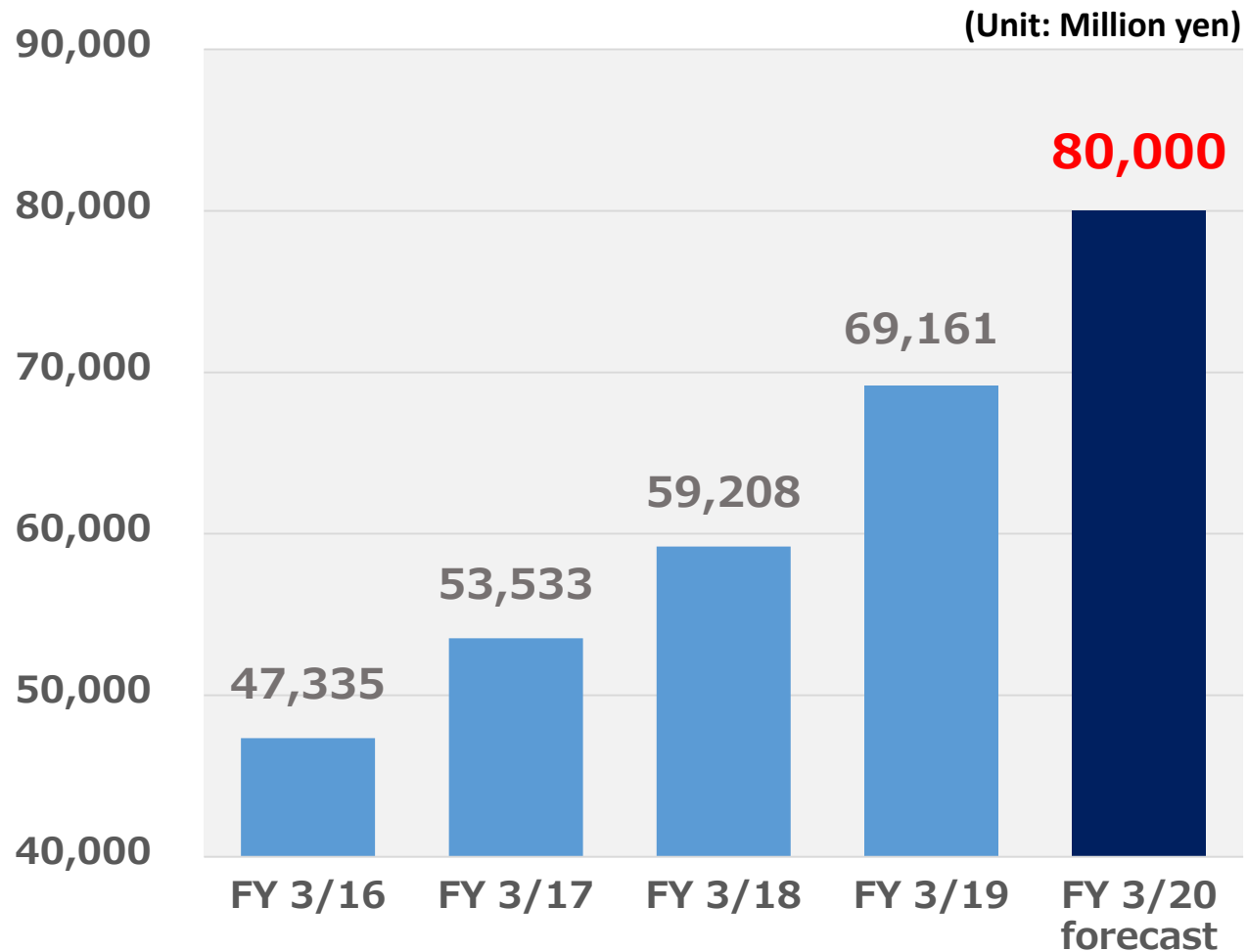
【FY 3/2020 Consolidated Earnings Forecast】

(Unit: Million yen)

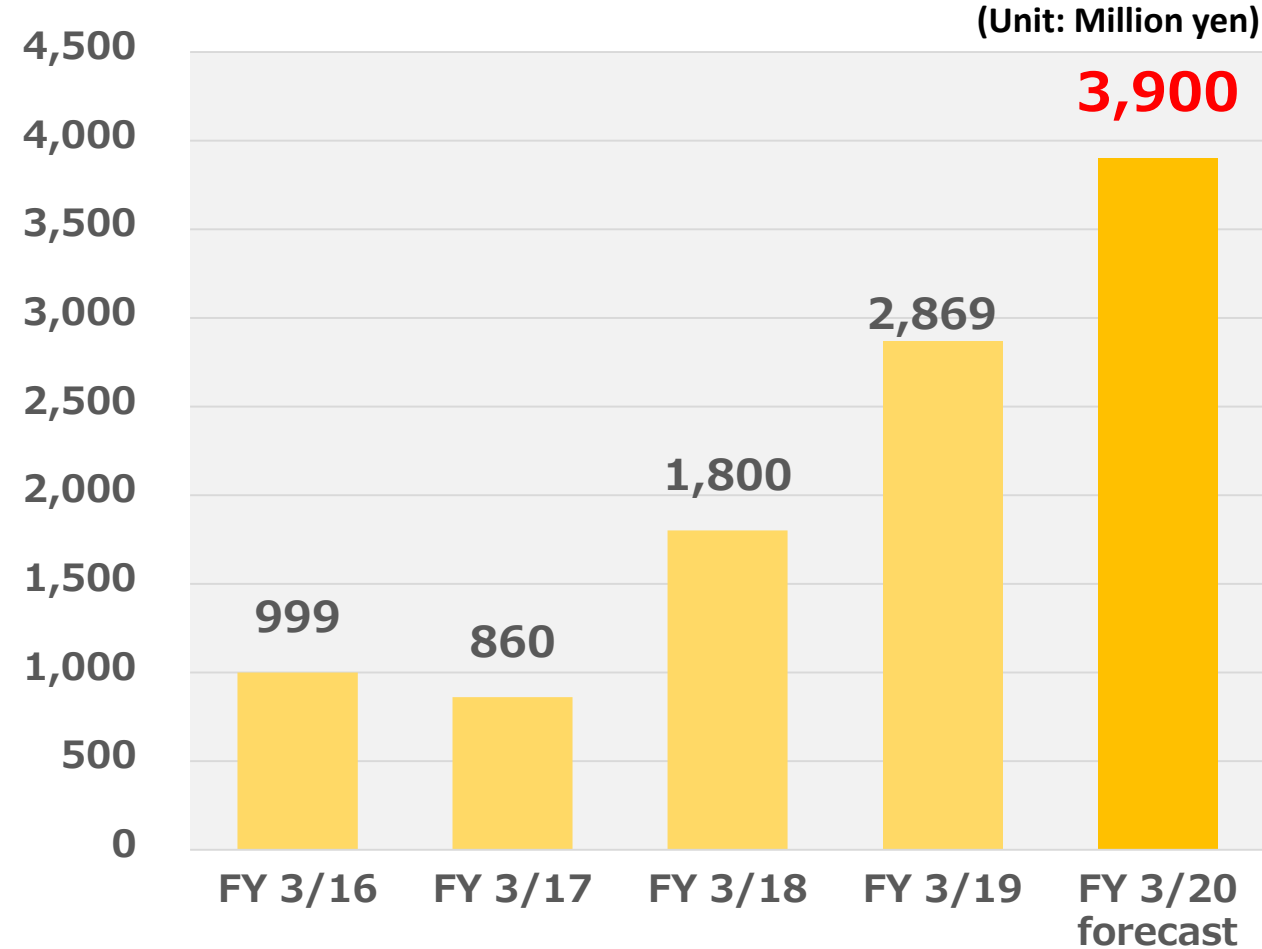
	FY 3/19 Results		FY 3/20 Results		Year-on-Year	
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	% Change
Net sales	69,161	100.0%	80,000	100.0%	10,839	15.7%
Operating profit	2,869	4.1%	3,900	4.9%	1,031	35.9%
Ordinary profit	2,895	4.2%	4,000	5.0%	1,105	38.1%
Profit attributable to owners of parent	2,053	3.0%	2,760	3.5%	707	34.4%

Outlook for Consolidated Earnings Trends

Net sales

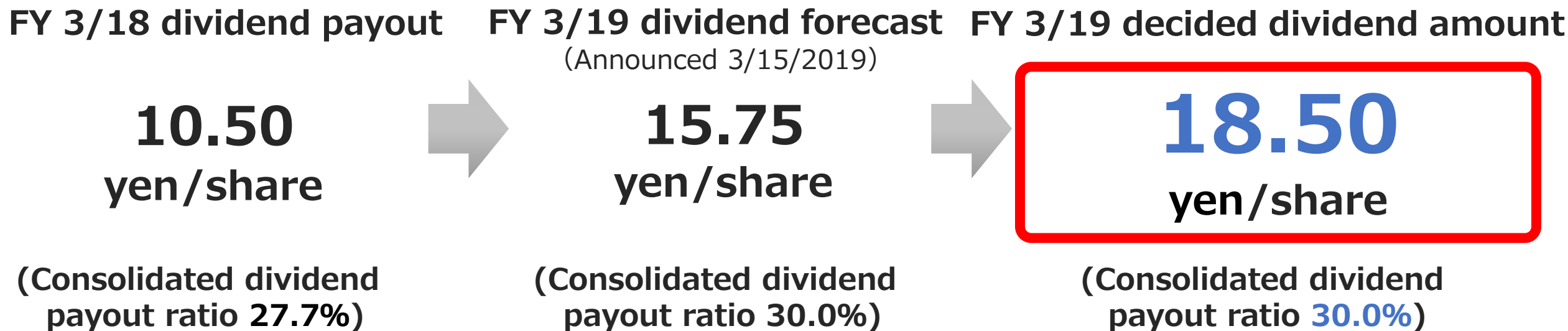


Operating profit



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Shareholder Returns



The Company's common stock was split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019. The above dividend is the converted amount after the stock split.

Continued dividend payout ratio of 30% or more

In view of +share price level, liquidity, demand for funds, etc., share buy-backs are implemented flexibly

	FY 3/19	FY 3/20 forecast
Profit	2,053 million yen	2,760 million yen
EPS	61.58	82.24
Dividend per share	18.50	25.00
Dividend payout ratio	30.0%	30.4%

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Supplementary Materials

FY 3/2019 Consolidated Balance Sheet (B/S)

(Unit: Million yen, %)

	3/18-end		3/19-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	12,753	64.2	14,174	67.4	1,421
Cash and deposits	5,283	26.6	5,633	26.8	349
Notes and accounts receivable - trade	6,791	34.2	7,757	36.9	965
Non-current assets	7,117	35.8	6,844	32.6	(272)
Property, plant and equipment	4,994	25.1	4,942	23.5	(51)
Intangible assets	380	1.9	359	1.7	(20)
Investments and other assets	1,742	8.8	1,542	7.3	(200)
Total assets	19,870	100	21,019	100	1,149
Current liabilities	8,206	41.3	9,161	43.6	954
Current portion of long-term loans payable	501	2.5	183	0.9	(318)
Accrued expenses	4,331	21.8	4,751	22.6	420
Non-current liabilities	2,345	11.8	1,312	6.2	(1,033)
Long-term loans payable	1,883	9.5	750	3.6	(1,132)
Total liabilities	10,552	53.1	10,474	49.8	(78)
Shareholders' equity	9,130	45.9	10,535	50.1	1,404
Total net assets	9,317	46.9	10,544	50.2	1,227
Total liabilities and net assets	19,870	100	21,019	100	1,149

Point

① Increases due to business expansion

Notes and accounts receivable - trade, etc., under current assets, and accrued expenses, etc., under current liabilities increased as a result of business expansion.

② Decrease in loans payable

Loans payable decreased significantly as a result of the ahead-of-schedule repayment of long-term loans payable with increased funds from the IPO and operating cash flows for the current FY.

③ Overall

As a result of the above, total assets increased by 5.8% YOY due to an increase in current assets, and liabilities decreased by 0.7% YOY due to a decrease in non-current liabilities. In addition, net assets increased by 13.2% YOY due to the increase in shareholders' equity as a result of the recording of profits, and equity ratio was at 50.2%.

FY 3/2019 Consolidated Statement of Cash Flows

(Unit: Million yen, %)

	FY 3/18	FY 3/19	Increase (Decrease)
	Amount	Amount	
CF from operating activities	2,751	2,565	(186)
CF from investing activities	(102)	0	102
CF from financing activities	(735)	(2,215)	(1,480)
Net increase (decrease) in cash and cash equivalents	1,914	349	(1,564)
Cash and cash equivalents at beginning of period	3,369	5,283	1,914
Cash and cash equivalents at end of period	5,283	5,633	349

Point

① Cash flows from operating activities

Revenues from increases in profit before income taxes, depreciation and accrued expenses absorbed expenditures in notes and account receivable-trade and income taxes paid, etc., and revenues amounted to 2,565 million yen.

② Cash flows from investing activities

Revenues from the sale of cross-shareholdings absorbed capital investments in training facilities and recruitment, resulting in almost no gains or losses.

③ Cash flows from financing activities

Due to the ahead-of-schedule repayment of long-term loans payable, expenditure on dividends, and purchase of treasury shares, expenditures amounted to 2,215 million yen.

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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