

FY 3/2020

Financial Results Briefing Materials

May 12, 2020

TSE 1 Code: 6569

NISSO CORPORATION

 日総工産株式会社

Summary

■ Results for FY 3/2020

- Consolidated results for FY 3/2020: Increased revenue and profits year-on-year (ordinary profit)
- Automobiles-related industries remained firm, but decreased partially from 2H onwards
- Electronic devices-related industries have not yet reached full-scale recovery
- Although the effects of the spread of the new coronavirus (COVID-19) began to occur, its impact on the financial results for FY 3/2020 were limited

■ Earnings Forecast for FY 3/2021

Due to the difficulty of reasonably calculating the effects of the spread of COVID-19 at this time, the earnings forecast for FY 3/2021 is undecided

1. Financial Results Summary for FY 3/2020

1 - 1 Overview of Activities

1 - 2 Future Prospects

2. Shareholder Return Policy

3. Supplementary Materials

1. Financial Results Summary for FY 3/2020

FY 3/2020 Non-consolidated Financial Results Highlights



- Although net sales in the automobiles-related industries were strong in 1H, there was some decline in 2H. The electronic devices industry did not yet reach full-scale recovery, and overall operating conditions were sluggish, resulting in only a 9.0% increase YOY.
- In terms of costs, although hiring costs and training expenses increased, efforts were made to control costs overall, and the operating profit amount increased by 5.3% YOY.

(Unit: Million yen)

	FY 3/19		FY 3/20		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	63,474	100.0%	69,209	100.0%	5,734	9.0%
Gross profit	11,603	18.3%	12,492	18.1%	889	7.7%
SG&A expenses	8,641	13.6%	9,373	13.5%	732	8.5%
Operating profit	2,962	4.7%	3,119	4.5%	156	5.3%
Ordinary profit	2,943	4.6%	3,124	4.5%	181	6.2%
Profit	2,240	3.5%	2,030	2.9%	(210)	(9.4%)

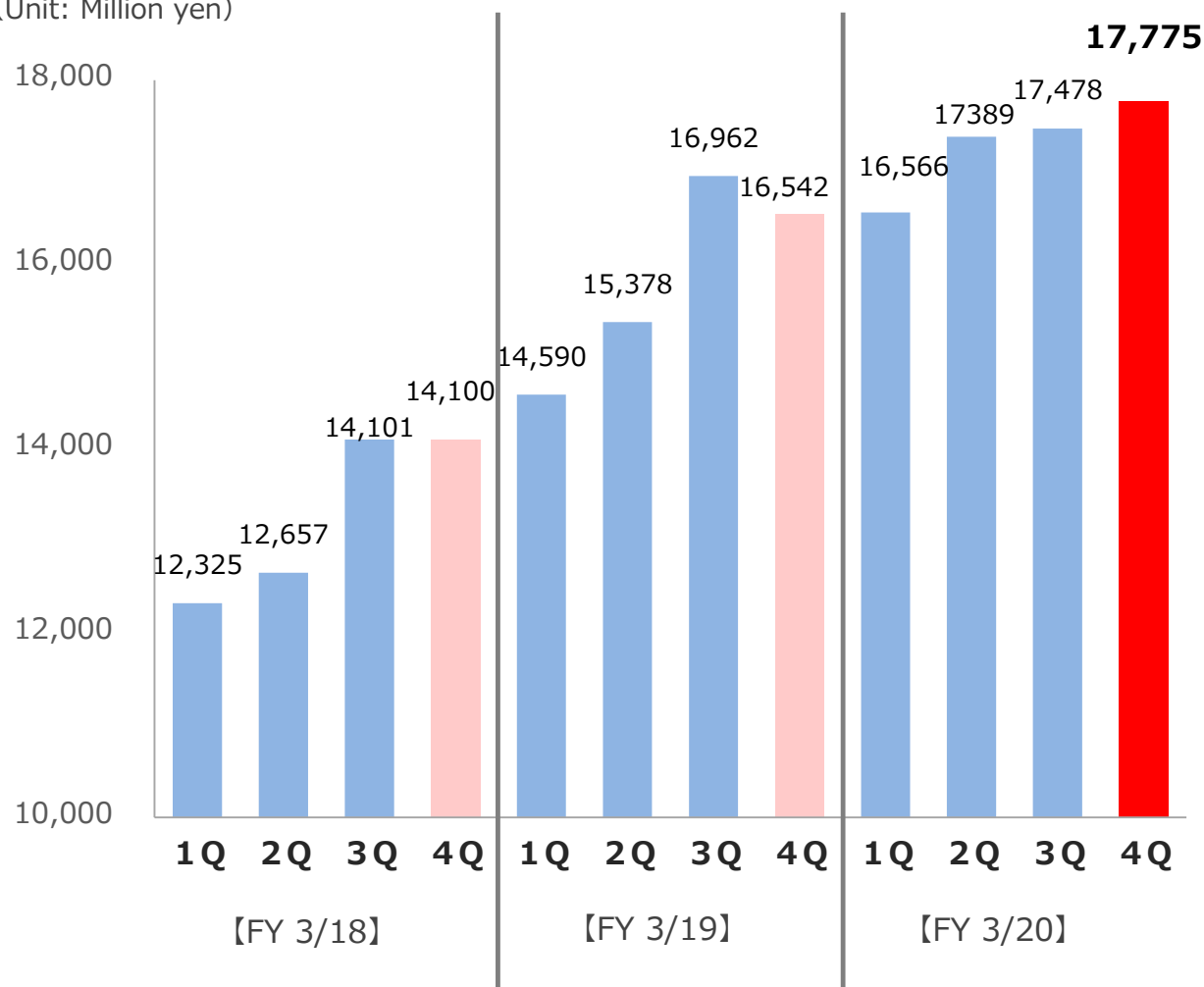
FY 3/2020 Quarterly Non-consolidated Financial Results Trends



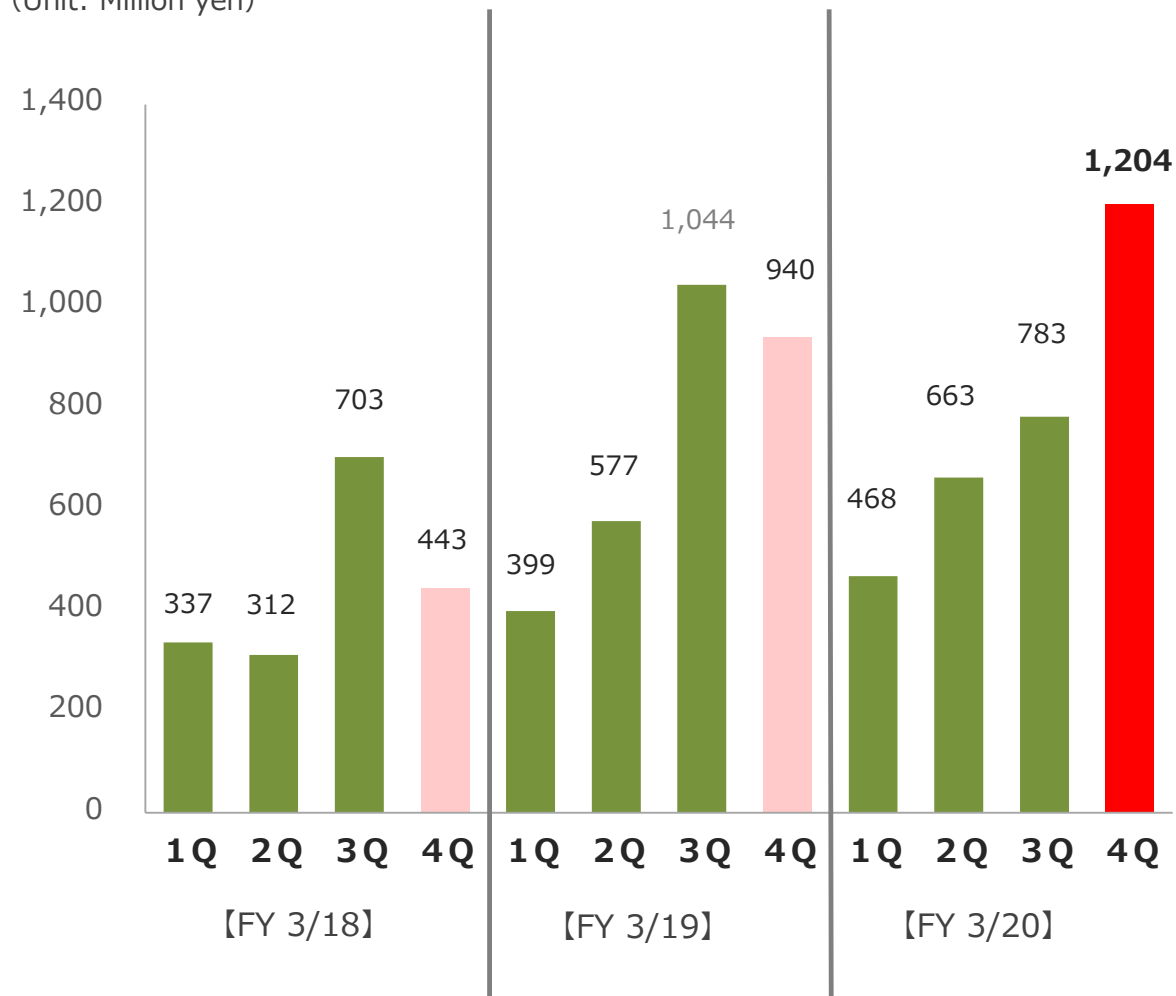
Net sales

Operating profit

(Unit: Million yen)



(Unit: Million yen)



FY 3/2020 Consolidated Financial Results Highlights



- General Human Resources Services Business: Continued development/expansion of skilled staff and Account Companies strategies
Net sales increased due to increases in enrollment and net sales per capita. In terms of costs, hiring costs and training expenses increased.
- Other Businesses: Net sales increased due to an increase in the number of residents at Sweetpea Higashi Totsuka. In terms of costs, although personnel expenses increased due to an increase in the number of residents, deficits decreased from the previous FY due to cost control at existing facilities

(Unit: Million yen)

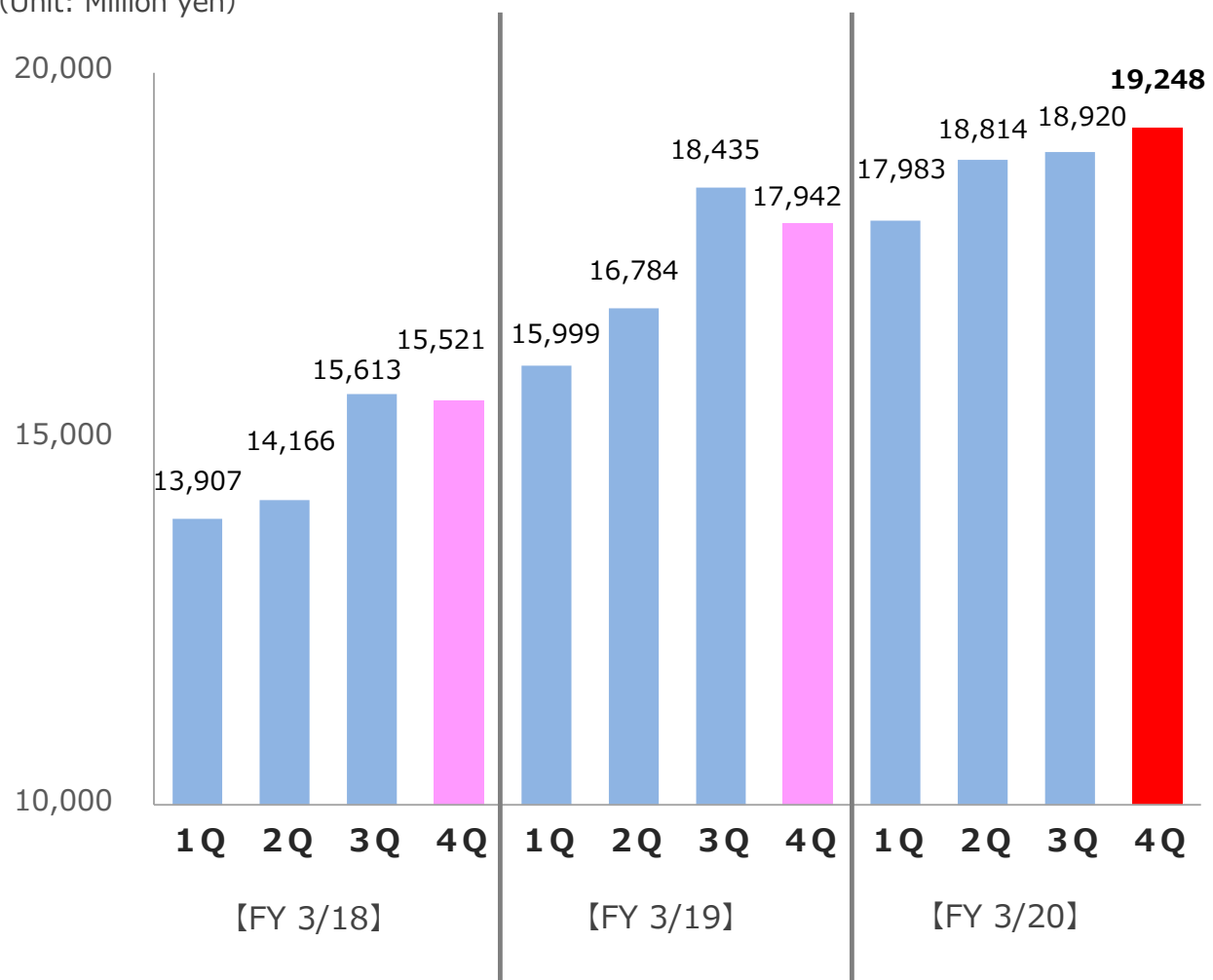
	FY 3/19		FY 3/20		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	69,161	100.0%	74,966	100.0%	5,805	8.4%
Gross profit	12,239	17.7%	13,115	17.5%	876	7.2%
SG&A expenses	9,370	13.5%	10,054	13.4%	684	7.3%
Operating profit	2,869	4.1%	3,061	4.1%	191	6.7%
Ordinary profit	2,895	4.2%	3,149	4.2%	254	8.8%
Profit attributable to owners of parent	2,053	3.0%	2,033	2.7%	(20)	(1.0%)

FY 3/2020 Quarterly Consolidated Financial Results Trends



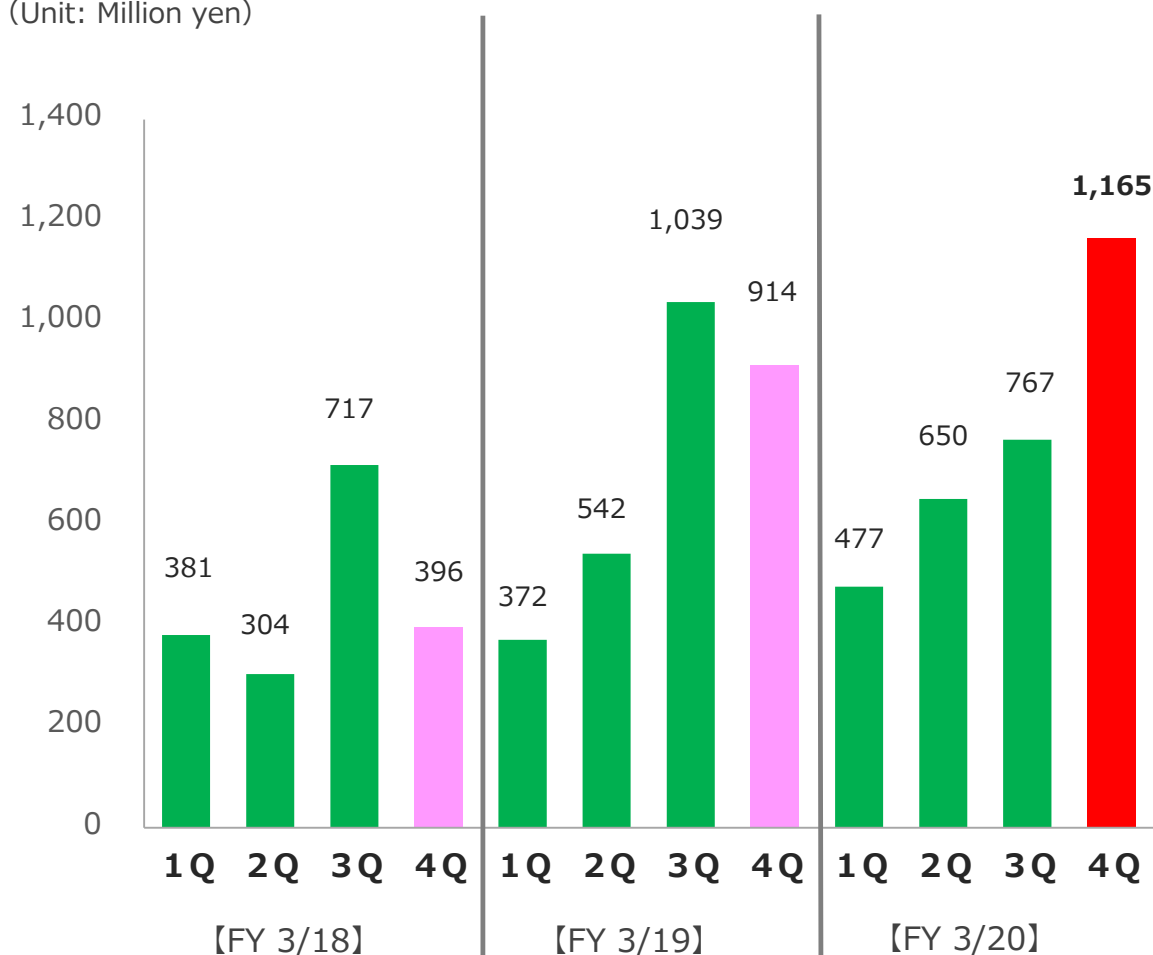
Net sales

(Unit: Million yen)



Operating profit

(Unit: Million yen)



1- 1 Overview of Activities

FY 3/2020 Financial Results Summary



Consolidated Financial Results

Net Sales 74,966 Million yen

(+ 5.805 Million yen YoY)

Operating Profit 3,061 Million yen

(+ 191 Million yen YoY)

- Net sales YOY increase: 8.4%
- Operating profit YOY increase: 6.7%

Net Sales by Industry (vs. YoY)

Automobiles ...+ 26.0%

Electronic devices ... (0.6%)

- Net sales in the automobiles industry were strong in 1H due to rises in demand, mainly for the Account Company Group. In 2H, although there was some decline in demand, new demand increased due to the introduction of new car models, and net sales increased overall
- Due to stagnant product demand in the electronic devices industry, although there were increases from some companies, net sales decreased overall

Quarter-end Number of Enrolled Staff

14,770 staff (+728 from 3/19-end)

...+1,598 staff in FY 3/19

- Although demand from automobiles-related companies remained strong, overall demand increased moderately, and the number of enrolled staff at FY-end increased by 728 staff from the previous FY-end
- The number of enrolled staff at FY-end increased by 132 from 3Q-end due to increased demand from automobiles and semiconductor companies

Net Sales per Capita/Monthly

397 Thousand yen

(+5.5 Thousand yen from FY 3/19-end)

...+24.5 Thousand yen in FY 3/19

- Despite promoting the assignment of skilled staff to high unit-cost production sites, net sales per capita increased only slightly due to reduced hours of operation (overtime/holiday work)

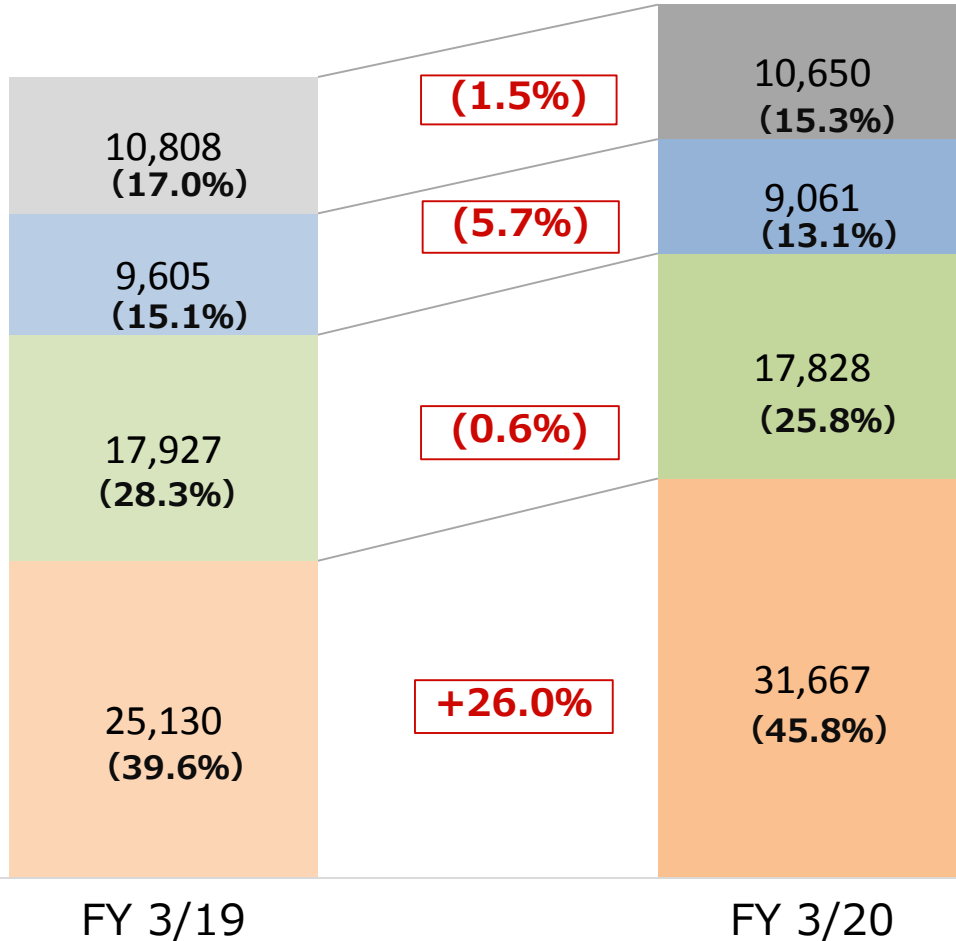
FY 3/2020 Net Sales by Industry (NISSO, Non-consolidated)



Trend of Net Sales Composition Ratios

(Unit: Million yen)

Automobiles Elec. devices Prec. • Elec. machinery Other



Electronic devices

Although demand from some semiconductor companies increased, many electronic components-related companies have not been able to recover due to the continued market slump, resulting in decreased net sales

Automobiles

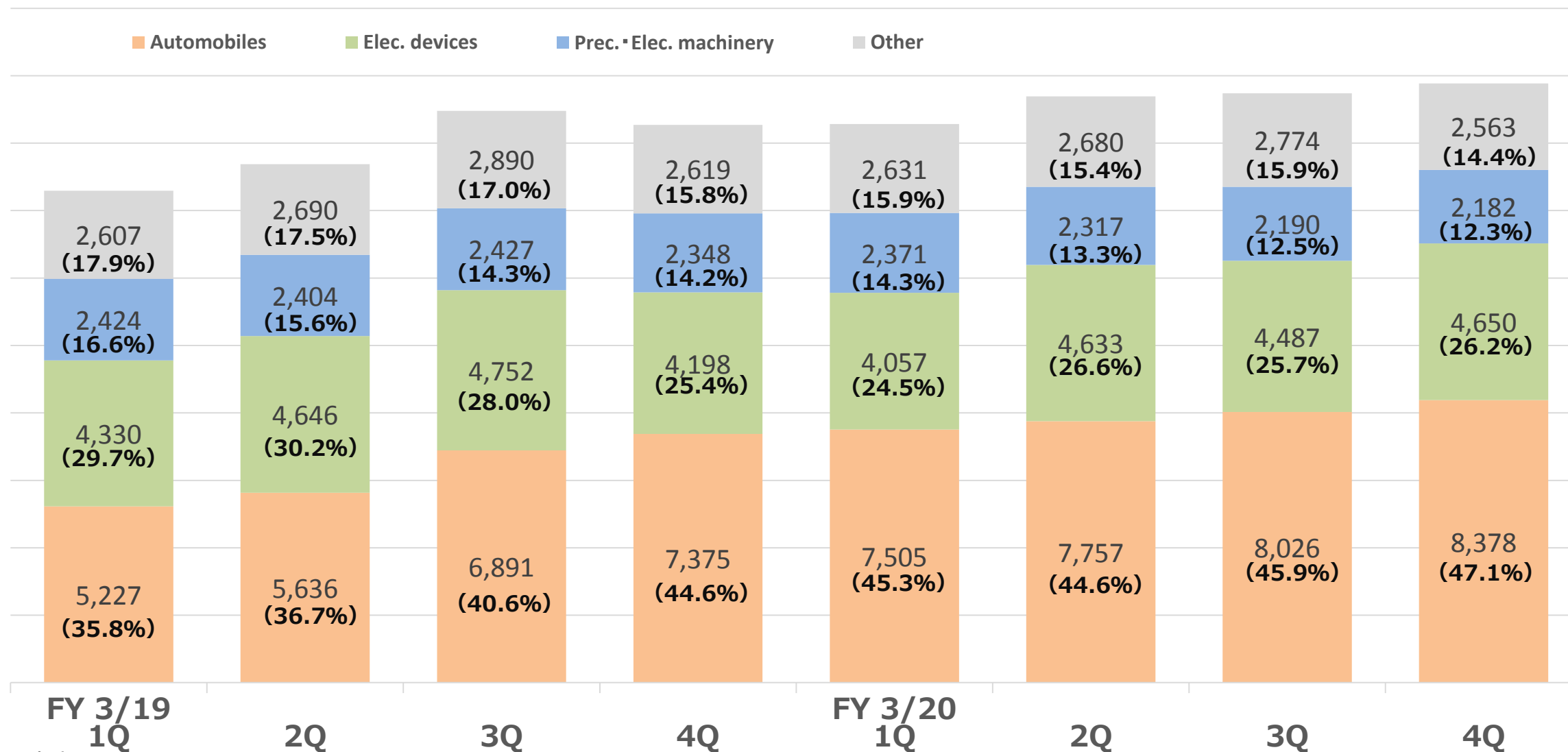
From 2H onwards, although production decreased at some companies, overall net sales increased due to the introduction of new car models in the Account Company Group and increased demand from auto parts companies

※ () = % of Total net sales, □ = % of Year-on-Year growth

FY 3/2020 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



(Unit: Million yen)



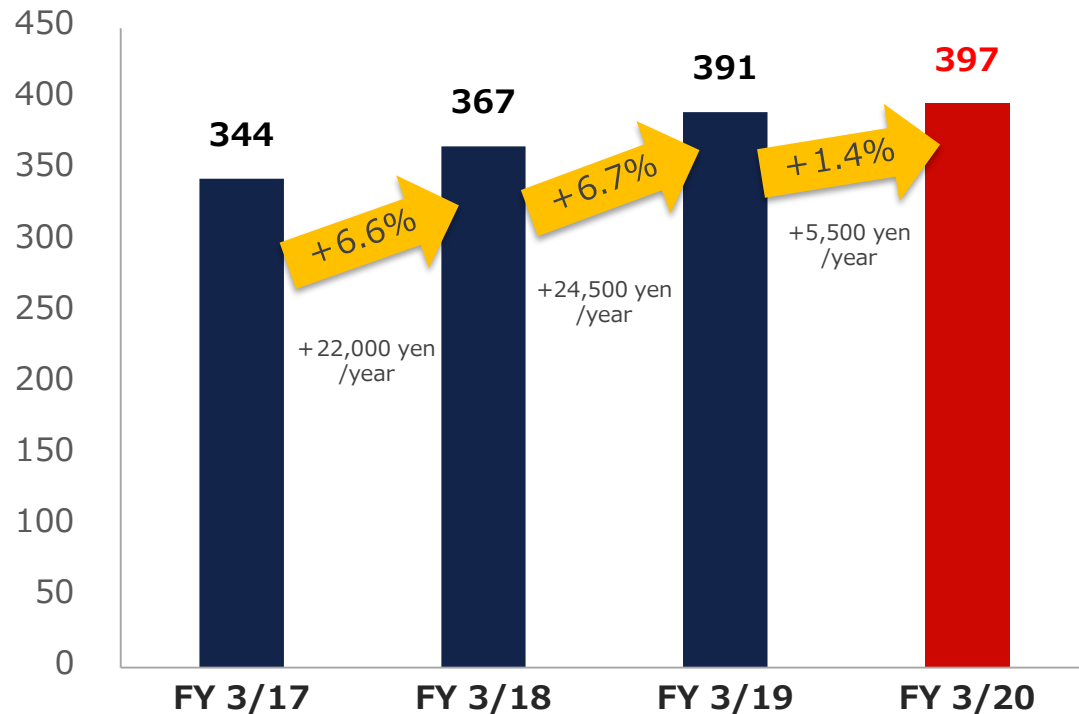
※ () = % of Total net sales

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

- FY 3/2020 net sales per capita: 397 thousand yen (+5,500 yen from FY 3/2019)
- Although assignments were promoted centering on the high unit-cost automobiles Account Company, overall net sales per capita increased only slightly due to decreases in overtime and holiday work

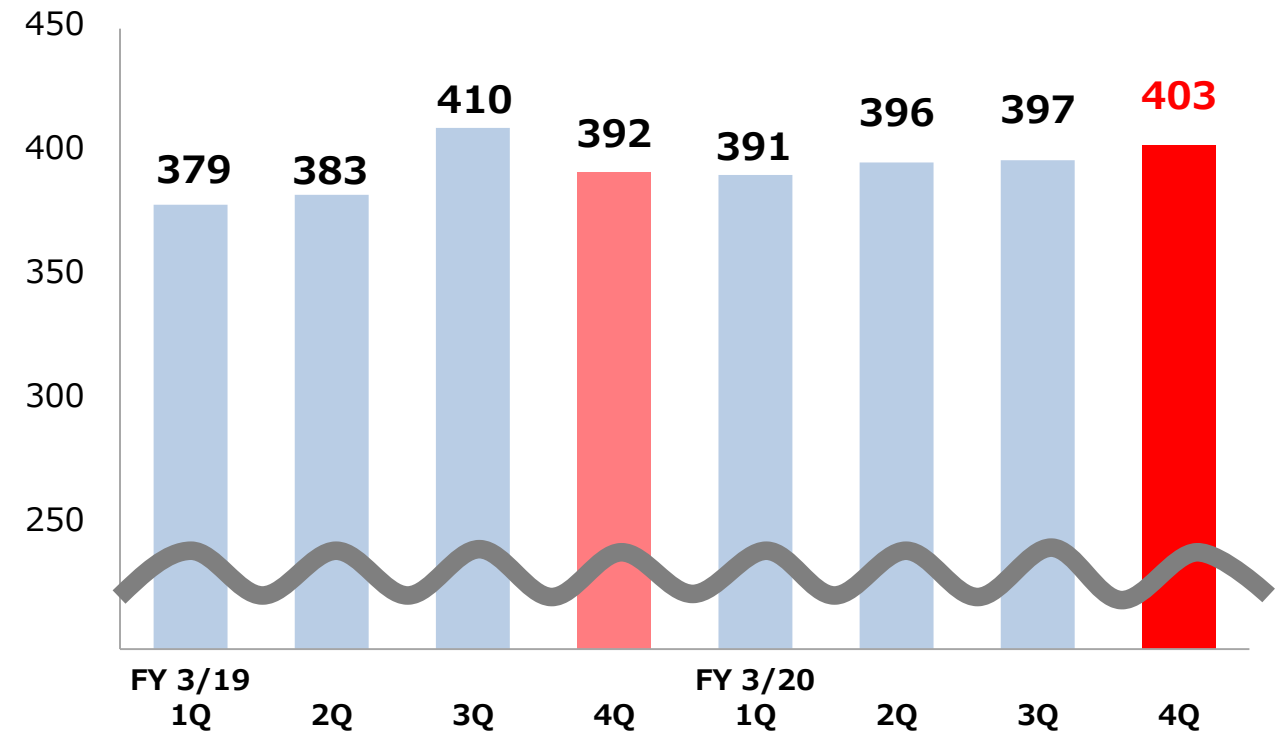
Net Sales per Capita (monthly average conversion)

(Unit: Thousand yen)



Net Sales per Capita (quarterly)

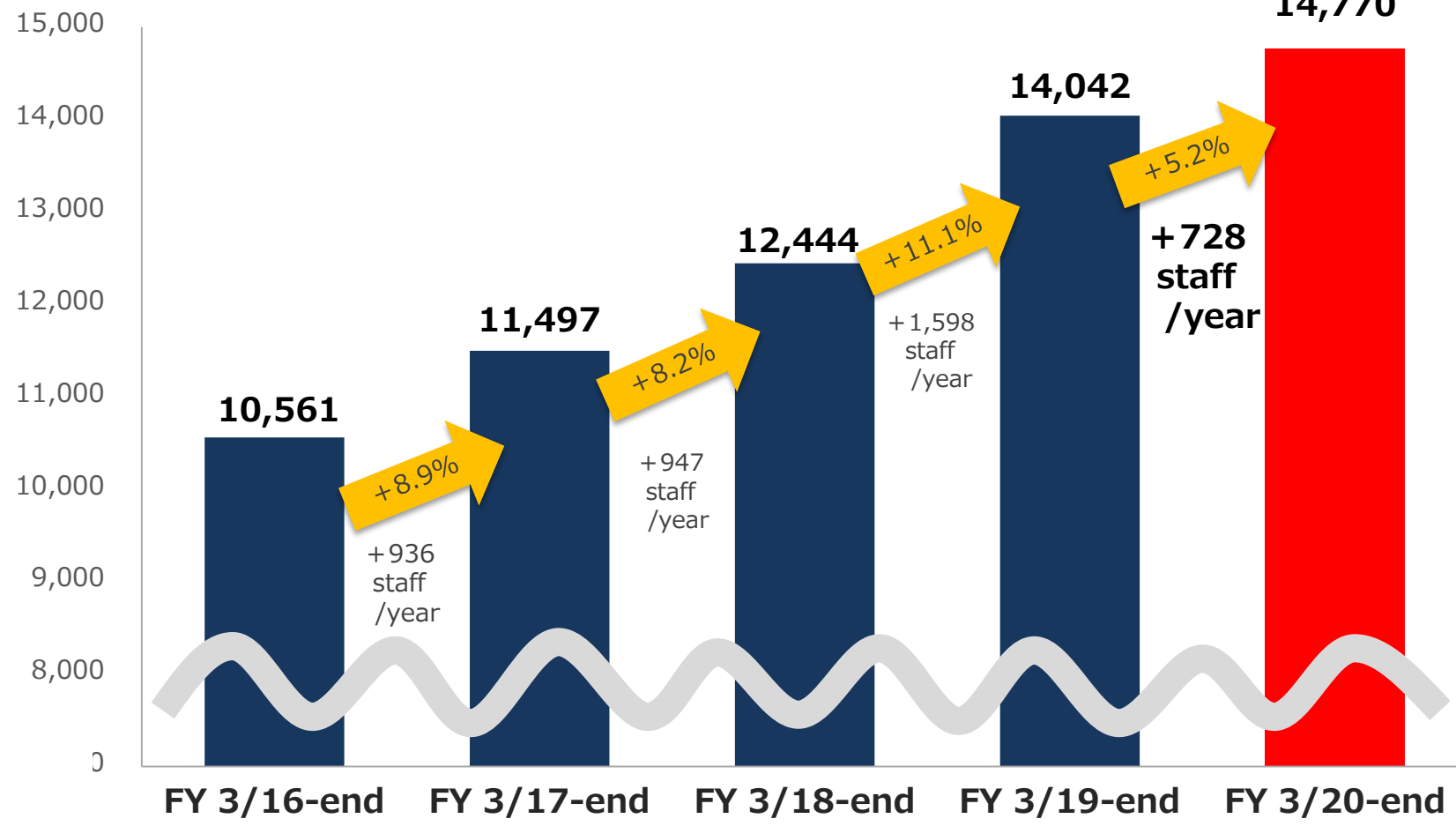
(Unit: Thousand yen)



Trend of Enrolled Staff (NISSO, Non-consolidated)

Trend of Number of Enrolled at FY-end

(Unit: # of Staff)



Increase of 728 staff from previous FY-end (+5.2%)

In 4Q, since there were increases in enrollment centering on automobiles-related companies that introduced new car models, and semiconductor companies, there was an increase of 132 staff from 3Q-end

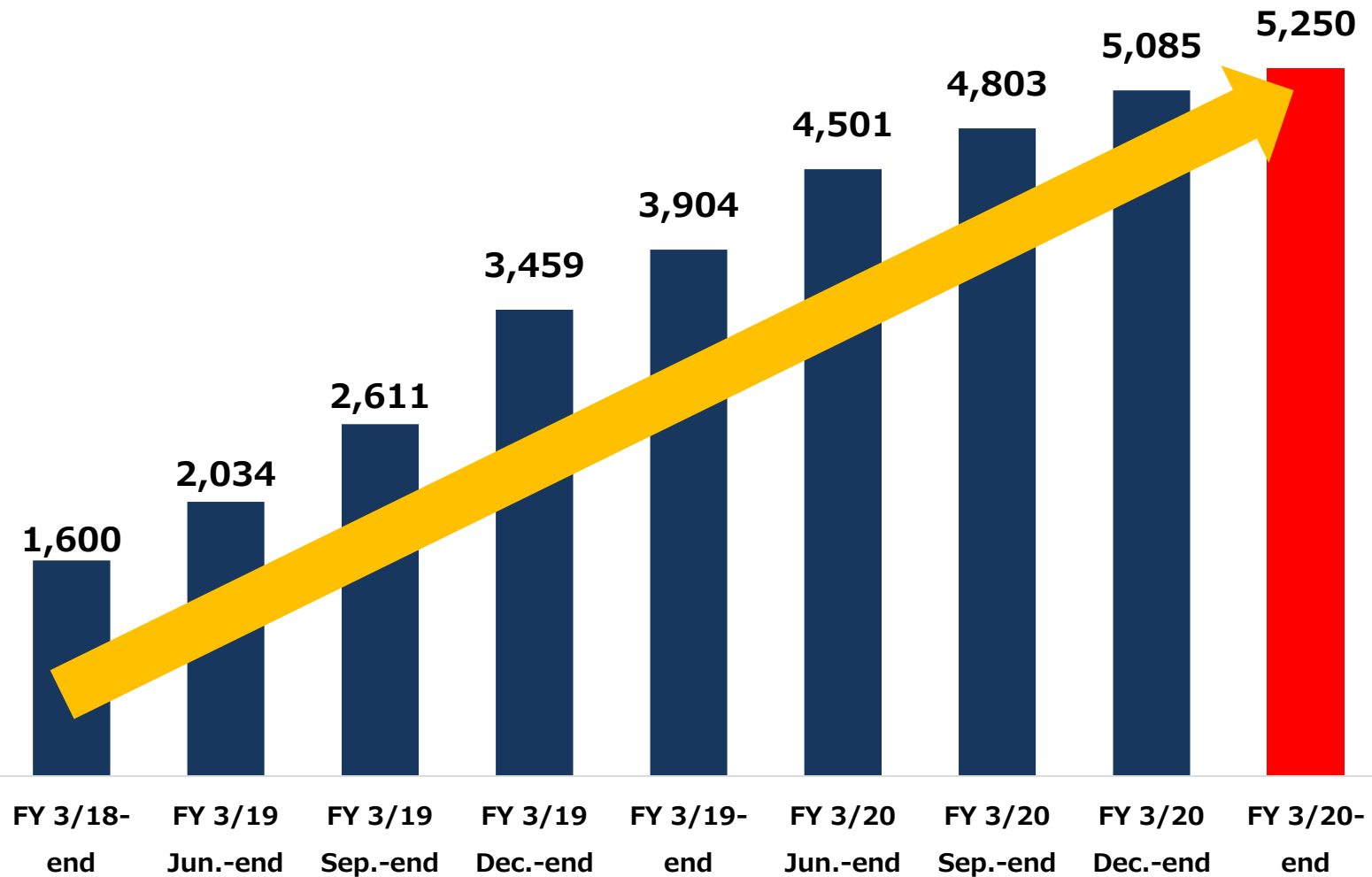
In the automobiles industry, although there were increases at companies that introduced new car models, in some cases, there were decreases in enrollment due to decreases in demand in 2H
 Although enrollment in some semiconductor companies within the electronic components and precision electrical machinery-related companies increased, the number of enrolled staff only increased slightly as demand for electronic components remained sluggish

Number of Skilled Staff (NISSO, Non-consolidated)



Trend in Number of Skilled Staff

(Unit: # of Staff)



Number of skilled staff continued to increase
Assigned mainly to automobiles and electrical machinery Account Companies in order to expand market shares

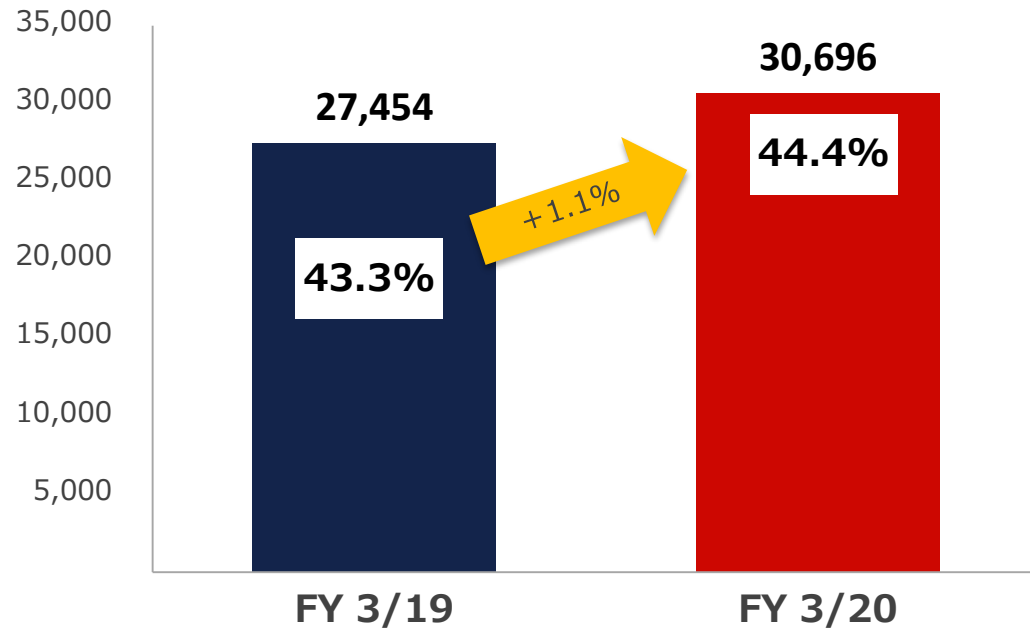
NISSO will continue to develop and assign skilled staff in order to accurately respond to the needs of our clients

Account Companies (NISSO, Non-consolidated)



Account Company Groups Net Sales and % of Total

(Unit: Million yen)



	FY 3/19	FY 3/20	Increase
Accounts total (4 Groups)	27,454	30,696	3,241
Total net sales	63,474	69,209	5,734
% of Total	43.3%	44.4%	1.1 pts

Account Companies net sales share ratio in FY 3/2020 was 44.4%
(FY 3/2020 3Q: 43.8%)

Automobiles Account Company Group ··· Although there was some decrease in demand from 2H onwards, demand increased from companies that introduced new car models, and net sales increased due to the active assignment of skilled staff

Electrical machinery Account Company Group ··· Demand from semiconductor companies remained strong, and net sales increased due to assignment of personnel who completed training

Electronic components Account Company Group ··· Although there was some increase in demand, the market did not reach full-scale recovery, and net sales decreased overall

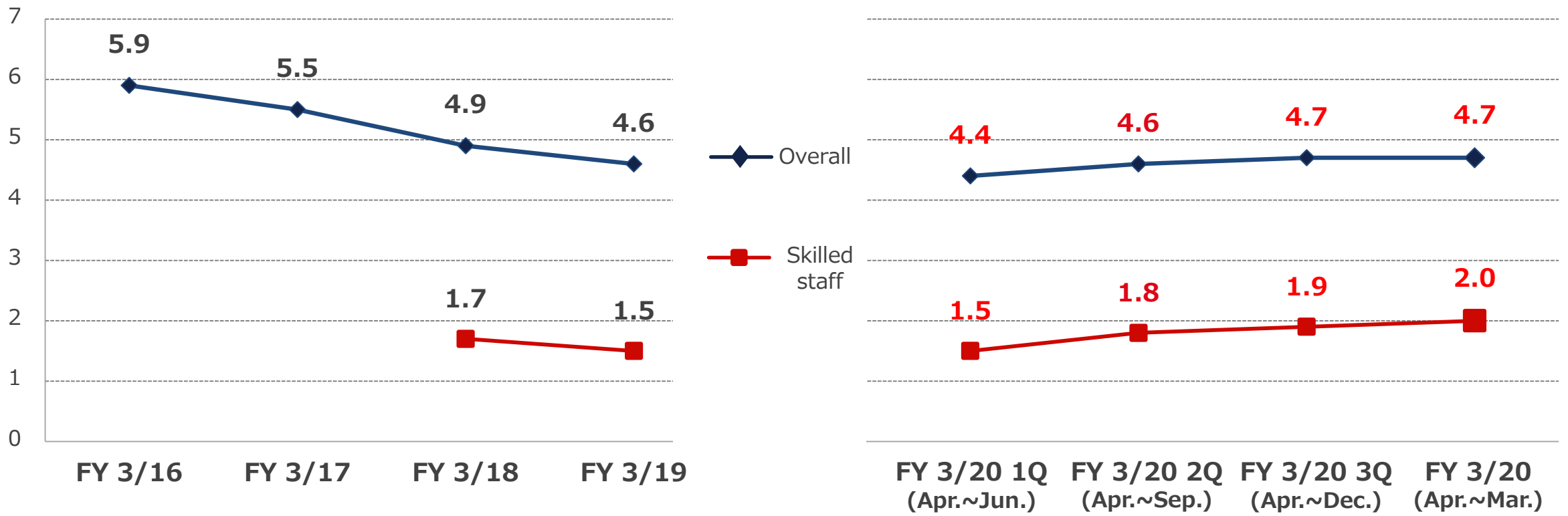
Turnover Rates (NISSO, Non-consolidated)

■ FY 3/2020 Overall turnover rate: 4.7% (+0.1 pts vs. FY 3/2019)
 Skilled staff turnover rate: 2.0% (+0.5 pts vs. FY 3/2019)

■ Scale-downs of workplaces increased due to decreases in production, and although transfers to other workplaces were promoted, turnover rates increased

Trend of Turnover rates

(Unit : %)



Educational Achievements (NISSO, Non-consolidated)



FY 3/2020 Course-specific educational achievements (total # of participants)

(Unit: # of Participants)

Training course name	3Q (Oct ~ Dec)	4Q (Jan ~ Mar)		FY 3/20 Total	(Reference) FY 3/19 Total
Skilled staff education	589	495	Standard skilled staff education	1,960	2,522
Accredited vocational training education	38	33	Accredited vocational training school (Miyagi · Nagano Prefectures)	200	318
Manufacturing education	1,526	1,340	MONOZUKURI education, pre-assignment training for manufacturing staff, mobile education	3,895	3,047
Safety education	1,258	853	Danger · risk simulation education	3,455	1,322
Basic maintenance education	82	187	Basic equipment maintenance education	373	167
Employee education	112	85	New graduate/mid-career entry/mid-level employee training, newly appointed chief education, on-site supervisor education	496	292
Other education			Entrusted education from external sources	28	22
Total	3,605	2,993		10,407	7,690

Education participants increased significantly from the previous FY, and NISSO aimed to expand market shares and performance by enhancing the capabilities/ skills of workers

Basic maintenance education participants for semiconductor manufacturing companies, where demand continues to rise, are increasing

Hereafter, NISSO will continue to actively invest in facilities and equipment in order to improve the quality of our service provisions as well as promoting differentiation while confirming client statuses and market trends

Other Businesses Business Revenue



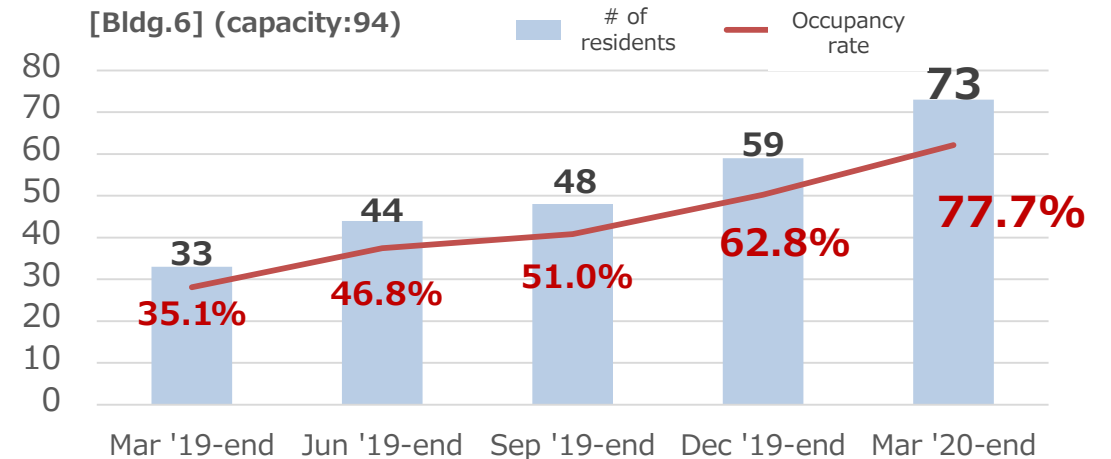
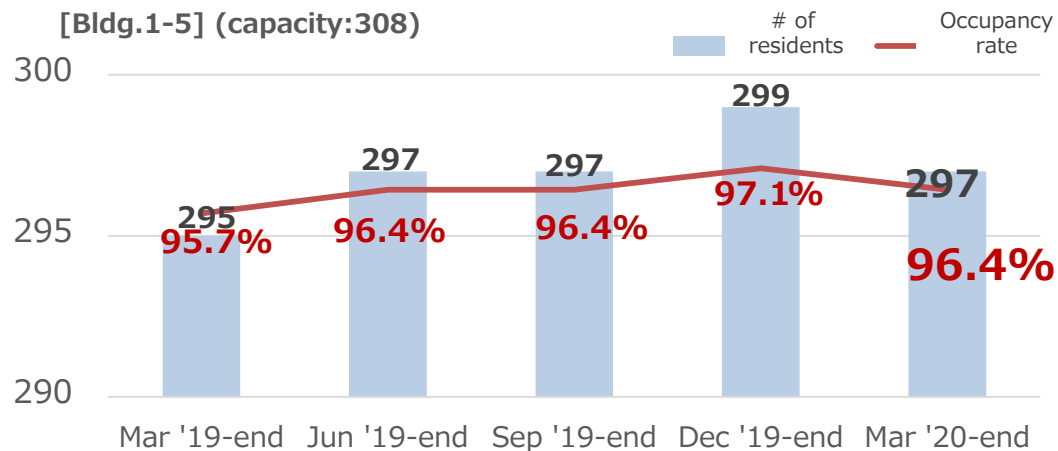
Results of Other Businesses

(Unit: Million yen)

	FY 3/19		FY 3/20		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	2,485	100.0%	2,796	100.0%	310	12.5%
Expenses	2,732	110.0%	2,850	101.9%	117	4.3%
Operating loss	(247)	(10.0%)	(54)	(1.9%)	193	

- Net sales increased due to the increase in the number of residents in Bldg. 6
- Full-year operating loss amounted to 54 million yen due to shortfalls in the number of residents and increased costs related to the introduction of new nursing care workers aimed at stabilizing services
- The new coronavirus (COVID-19) began to affect the number of potential residents (facility previewers) and the home-nursing care business from early-March

Trend in # of facility residents



1-2 Future Prospects

- ※ The stagnation of the world economy seems to be unavoidable due to the spread of the new coronavirus (COVID-19)
- ※ Uncertainty regarding future prospects is increasing, such as the impact on the production trends of NISSO's clients in the domestic manufacturing industry and the recruitment of human resources due to restrictions on mobility

- **Due to the difficulty of reasonably calculating the effects of the spread of COVID-19 at this time, the consolidated earnings and dividend forecasts for FY 3/2021 have not yet been decided. NISSO will promptly announce the disclosure of the consolidated earnings forecast as soon as it becomes possible to in the future**
- **The Medium-term Management Plan will also be announced when it becomes possible to disclose it**

【Effects of the spread of COVID-19 on NISSO's business】

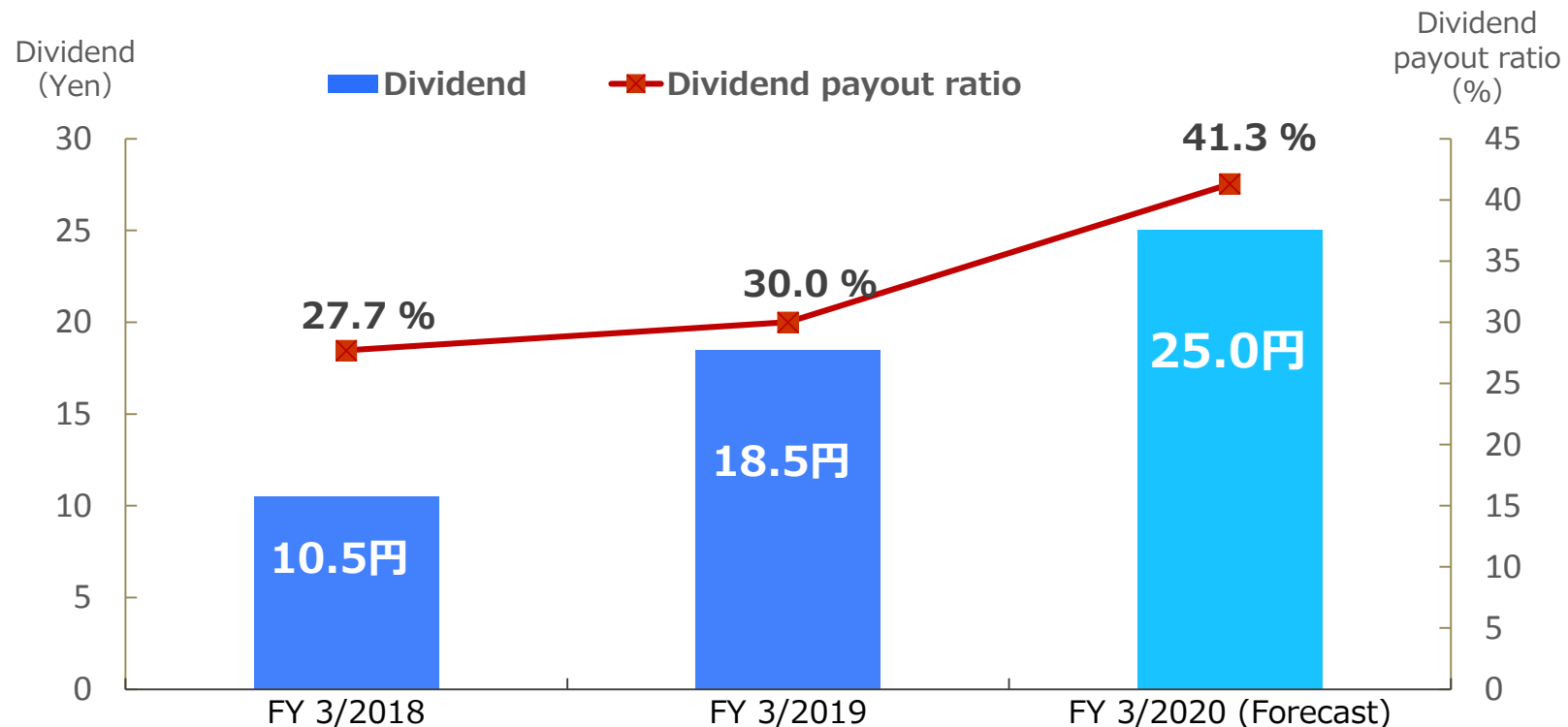
- The decline in product demand caused by a decline in consumers' willingness to purchase products will impact clients' production
- The disruption of supply chains stagnates parts supply and will impact clients' production
- The occurrence of COVID-19-affected individuals at clients will impact production
- As a result on COVID-19's impact on clients, the scale of transactions may be reduced or transactions may be terminated. If it is prolonged, NISSO will continue to face a severe and challenging business environment for the foreseeable future

2. Shareholder Return Policy

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.
- Regarding the year-end dividend for FY 3/2020, the dividend amount per share (25.00 yen) announced on May 10, 2019, in the "Summary of Consolidated Financial Results for FY 3/2019 [Japanese GAAP] (Consolidated) Dividend Forecast" is not scheduled to change.
- The dividend forecast for FY 3/2021 is undecided at this time. NISSO will promptly announce it as soon as it becomes possible to disclose the earnings forecast in the future.



NISSO's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019, and the FY 3/2019 dividend payout shown above is the dividend payout amount after the stock split.

3. Supplementary Materials

Consolidated Balance Sheet



(Unit: Million yen)

	Mar. 2019-end		Mar. 2020-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	14,174	67.4	15,622	69.5	1,447
Cash and deposits	5,633	26.8	6,365	28.3	731
Notes and accounts receivable - trade	7,757	36.9	8,434	37.5	676
Non-current assets	6,844	32.6	6,871	30.5	26
Property, plant and equipment	4,942	23.5	4,754	21.1	(188)
Intangible assets	359	1.7	377	1.7	17
Investments and other assets	1,542	7.3	1,739	7.7	197
Total assets	21,019	100	22,494	100	1,474
Current liabilities	9,161	43.6	9,279	41.3	117
Current portion of long-term loans payable	183	0.9	126	0.6	(56)
Accrued expenses	4,751	22.6	4,648	20.7	(103)
Non-current liabilities	1,312	6.2	1,319	5.9	6
Long-term loans payable	750	3.6	623	2.8	(126)
Total liabilities	10,474	49.8	10,598	47.1	124
Shareholders' equity	10,535	50.1	11,974	53.2	1,439
Total net assets	10,544	50.2	11,895	52.9	1,350
Total liabilities and net assets	21,019	100	22,494	100	1,474

Point

① Increases due to business expansion

Cash and deposits and notes and accounts receivable - trade, etc., under current assets increased as a result of business expansion.

② Increase of investments and other assets

Investments and other assets increased due to the acquisition of Nikon Nisso Prime shares for the purpose of promoting the employment of older human resources.

③ Overall

As a result of the above, total assets increased 7.0% YOY due to an increase in current assets. In addition, net assets increased 12.8% YOY due to the increase in shareholders' equity as a result of the recording of profits, and equity ratio was at 52.9%.

Consolidated Statements of Cash Flows



(Unit: Million yen)

	FY 3/19	FY 3/20	Increase (Decrease)
	Amount	Amount	
CF from operating activities	2,565	1,922	(642)
CF from investing activities	0	(289)	(290)
CF from financing activities	(2,215)	(901)	1,314
Net increase (decrease) in cash and cash equivalents	349	731	381
Cash and cash equivalents at beginning of period	5,283	5,633	349
Cash and cash equivalents at end of period	5,633	6,365	731

Point

① Cash flows from operating activities

Revenues from increases in profit before income taxes, depreciation and accrued consumption taxes exceeded expenditures due to increased account receivables and income taxes paid, etc., as a result of business expansion, and revenues amounted to 1,922 million yen.

② Cash flows from investing activities

Expenditures for the purchase of securities and capital investments exceeded the proceeds from the sale of cross-shareholdings, resulting in expenditures of 298 million yen.

③ Cash flows from financing activities

Due to the scheduled repayment of long-term loans payable and expenditure on dividends, expenditures amounted to 901 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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