



*Nurturing and
Bringing Out the
Best in People*

日総工産株式会社
NISSO CORPORATION

TSE 1 Code: 6569

First Quarter of FY 3/2021

Financial Results Briefing Materials

August 7, 2020

FY 3/2021 1Q Results

- Consolidated results for FY 3/2021 1Q: Decreased revenue and profits year-on-year
- Automobiles-related net sales declined due to the spread of new coronavirus infections (COVID-19)
- Client needs for human resources utilization remained sluggish and enrollment decreased
- Share ratio increased in Account Company Group net sales in manufacturing-related human resources services
- The number of skilled staff increased, the needs for maintenance personnel are especially high

FY 3/2021 1Q Consolidated Earnings Forecast

- Entering 2Q, client manufacturers' production activities were on a recovery trend
- Production recovery is expected to continue after 2Q

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1

FY 3/2021 1Q **Financial Results Summary**

FY 3/2021 1Q Consolidated Financial Results Highlights

(Unit: Million yen)

General Human Resources Services Business

- Due to the sharp decrease in market demand as a result of the spread of COVID-19 infections, and the division of supply networks as a result of overseas lockdowns, net sales related to the automobiles-related industries, which are our main clients, declined.

Other Businesses

- The growth in the number of new residents have slowed down due to the suspension of facility preview events under the policy of preventing the spread of COVID-19 infections.

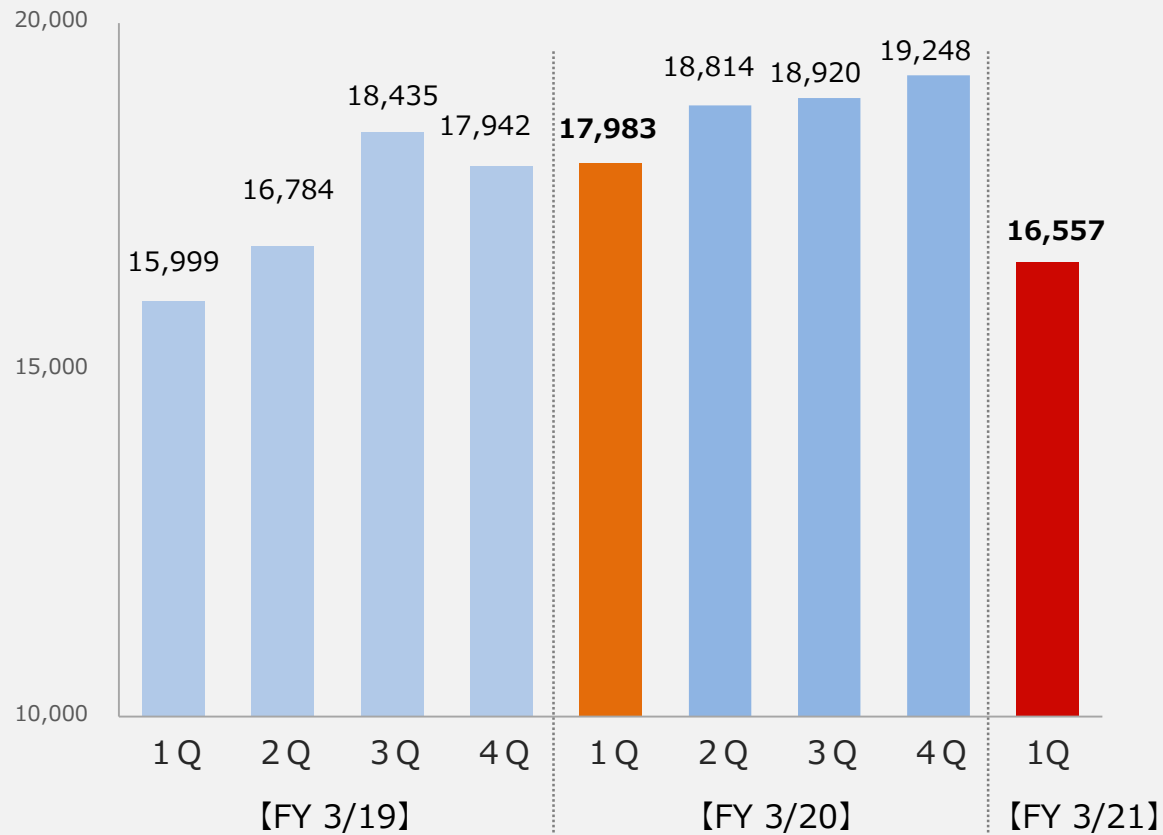
	FY 3/2020 1Q		FY 3/2021 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	17,983	100.0%	16,557	100.0%	(1,425)	(7.9%)
Gross profit	2,964	16.5%	2,360	14.3%	(603)	(20.3%)
SG&A expenses	2,486	13.8%	2,154	13.0%	(331)	(13.3%)
Operating profit	477	2.7%	206	1.2%	(271)	(56.8%)
Ordinary profit	490	2.7%	238	1.4%	(251)	(51.3%)
Profit attributable to owners of parent	357	2.0%	101	0.6%	(255)	(71.6%)

FY 3/2021 Quarterly Consolidated Financial Results



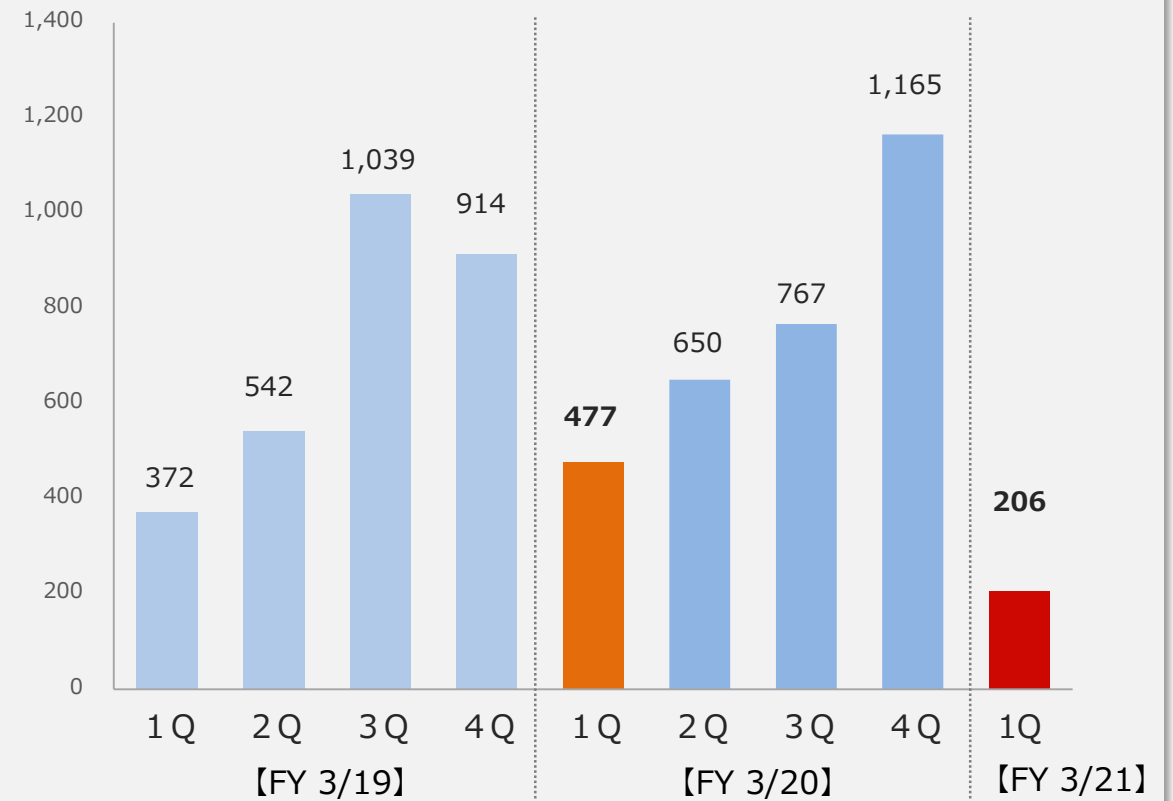
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



FY 3/2021 1Q Non-consolidated Financial Results Highlights

(Unit: Million yen)

Net sales

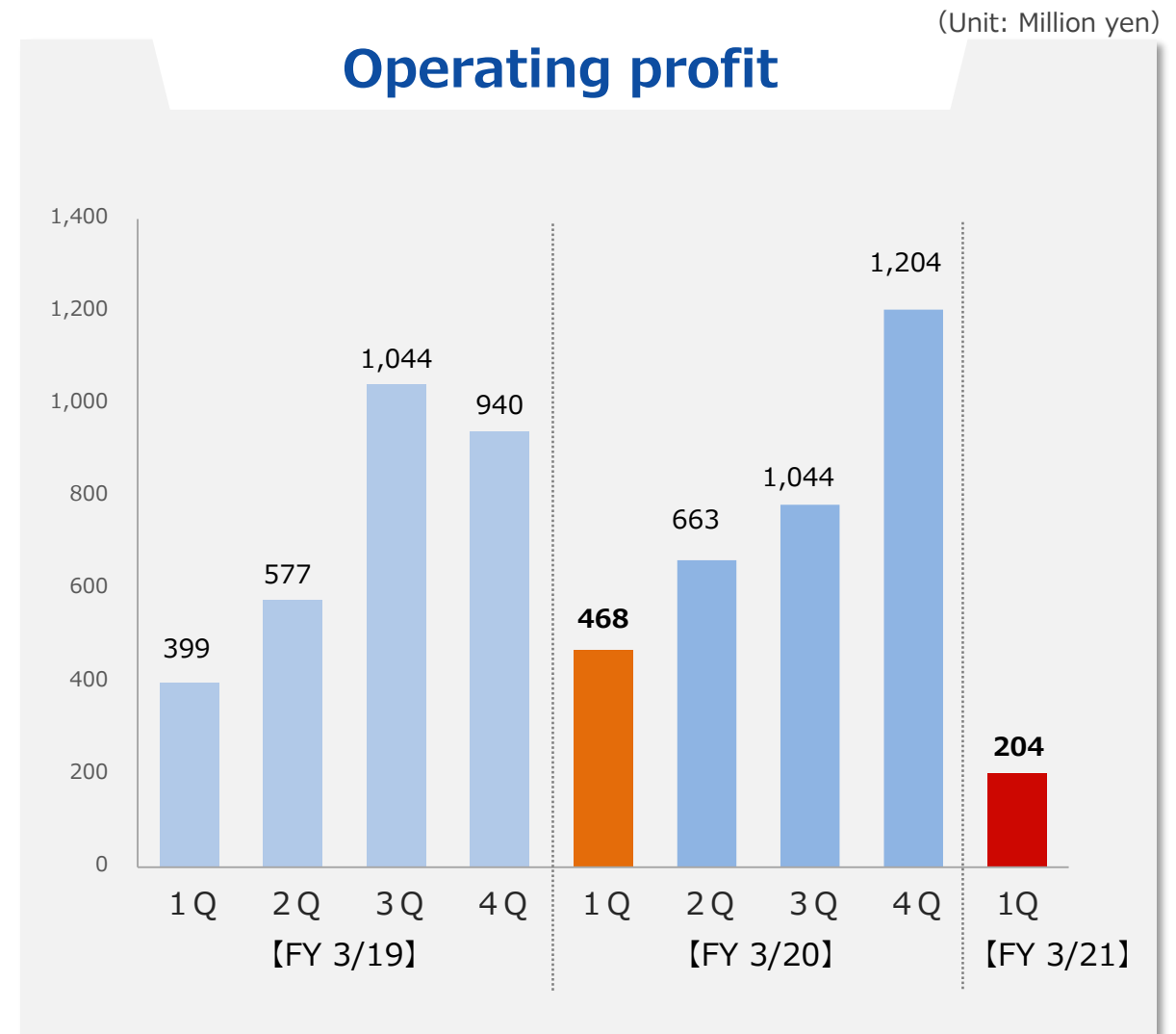
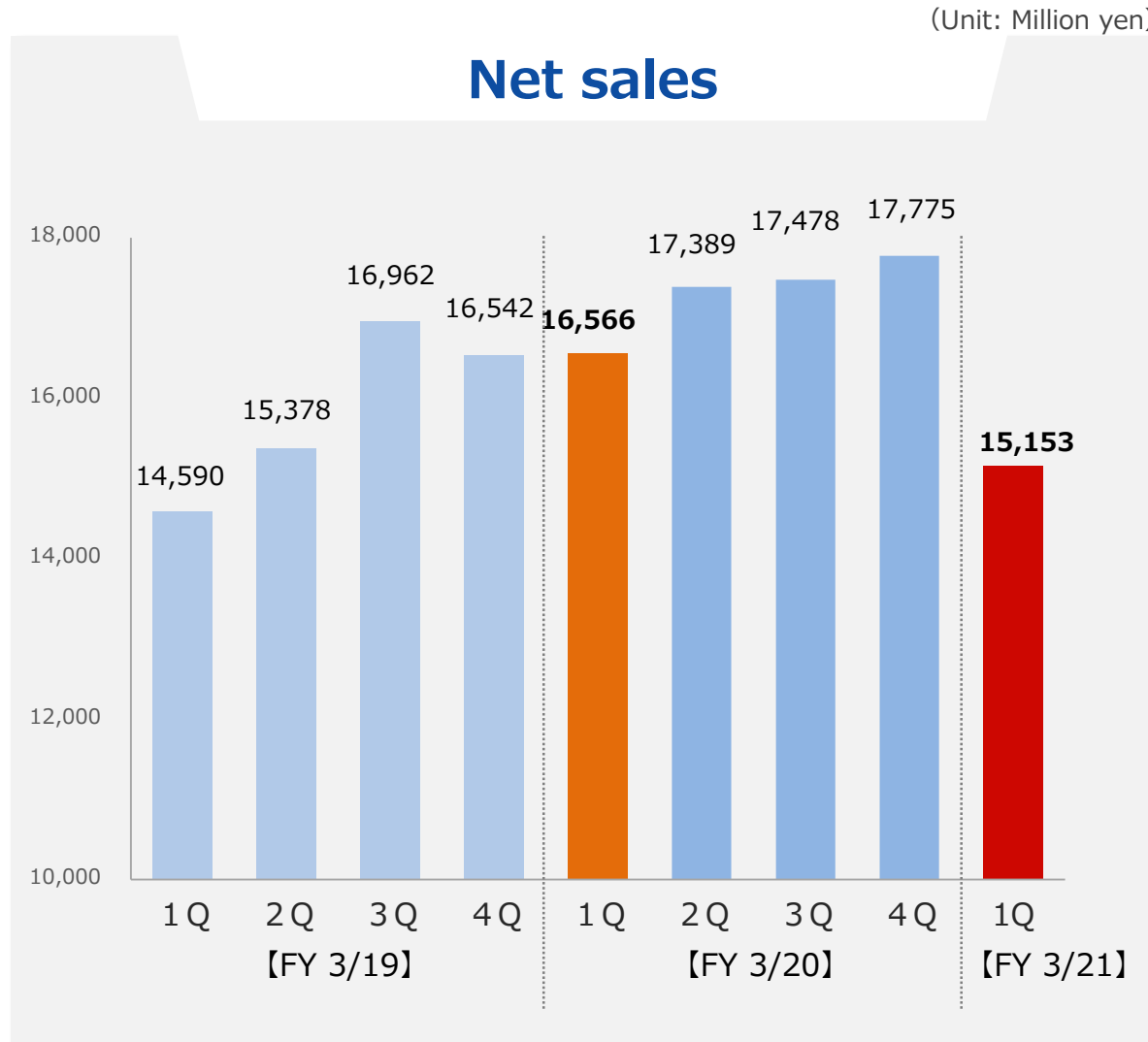
- Although net sales in the electronic devices industry remained strong, due to the spread of COVID-19 infections, in particular, a sharp decrease in domestic and overseas demand had a major impact on production cutbacks of auto-body manufacturers, resulting in an 8.5% YoY decrease.

Expenses

- Along with the decrease in net sales, recruitment expenses and other expenses decreased, and SG&A expenses decreased 12.8% YoY.
- Although expenses were reduced, operating profits decreased by 56.6% YoY without absorbing the decline in net sales.

	FY 3/2020 1Q		FY 3/2021 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	16,566	100.0%	15,153	100.0%	(1,412)	(8.5%)
Gross profit	2,794	16.9%	2,232	14.7%	(561)	(20.1%)
SG&A expenses	2,325	14.0%	2,028	13.4%	(297)	(12.8%)
Operating profit	468	2.8%	204	1.4%	(263)	(56.3%)
Ordinary profit	469	2.8%	219	1.4%	(250)	(53.3%)
Profit	342	2.1%	96	0.6%	(245)	(71.7%)

FY 3/2021 1Q Quarterly Non-consolidated Financial Results





2

FY 3/2021 1Q Overview of Activities

Consolidated Financial Results

Net Sales **16,557 Million yen** (-1,425 Million yen / -7.9% YoY)
Operating Profit **477 Million yen** (-271 Million yen / 156.8% YoY)

● Net Sales by Industry (YoY)

Automobiles ... **(20.4%)**
Electronic devices ... **+15.4%**

• In the automobiles-related industry, net sales decreased 20.4% YoY, partly due to production cutbacks as a result of sharp reductions in demand due to the spread of COVID-19 infections in Japan and abroad.
In the electronic devices-related industry, net sales increased by 15.4% YoY due to the impact of IT infrastructure investments.

● 1Q-end Number of Enrolled Staff

13,243 staff
(-1,527 staff from FY 3/20-end)

• The number of enrolled staff decreased by 1,527 compared to FY 3/20-end due to a sluggish need for external human resources by clients, and a decrease in the number of needed personnel to replenish the number of staff leaving the workplaces due to the occurrence of surplus personnel.

● Net Sales per Capita/Monthly

358 Thousand yen
(-33 Thousand yen YoY)

• Although the assignment of skilled staff to high unit-cost workplaces were promoted, net sales per capita decreased due to decreased hours of operation (number of working days, overtime hours, holiday work, etc.) as a result of reductions in the production activities of NISSO's clients.

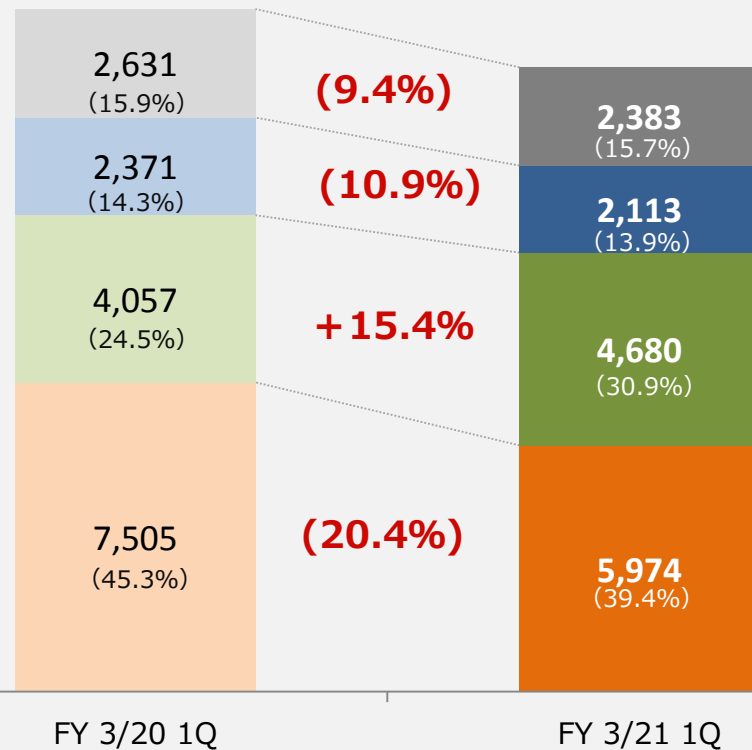
FY 3/2021 1Q Net Sales by Industry (NISSO, Non-consolidated)



(Unit: Million yen)

Net Sales Composition Ratios

Automobiles Elec. Devices Precision·Elec. Machinery Other



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

【Precision · Electrical Machinery】

Demand decreased mainly in North America, Europe, and China due to the spread of COVID-19 infections. As a result of a decrease in exports, net sales decreased by 10.9% YoY.

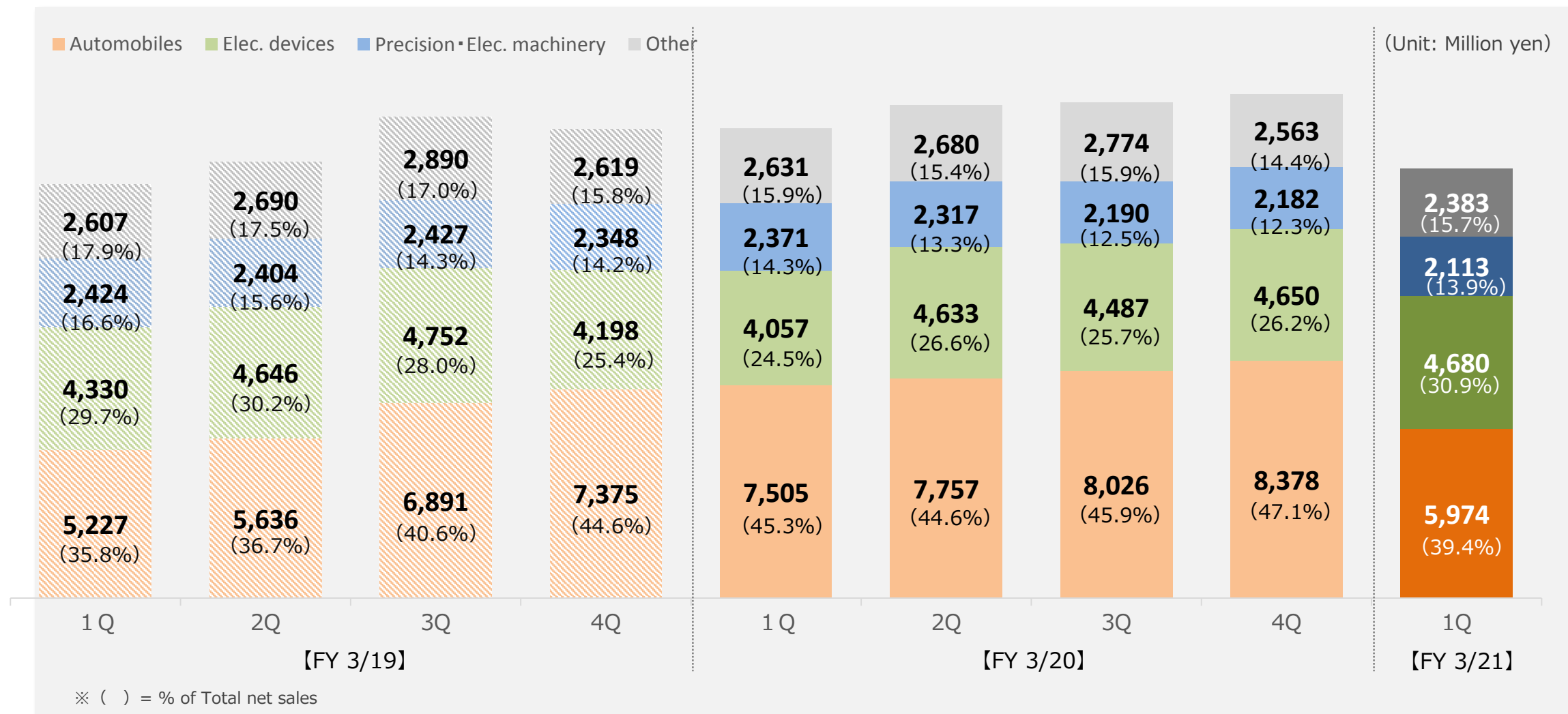
【Electronic Devices】

Due to the impact of IT infrastructure investments, net sales increased by 15.4% YoY mainly in semiconductor-related and electronic component industries.

【Automobiles】

Due to the spread of COVID-19 infections, production cutbacks started in earnest from April onwards due to a decrease in global demand, which caused temporary shutdowns of factories. As a result, hours of operations decreased, resulting in a 20.4% YoY decrease in net sales.

FY 3/2021 1Q Quarterly Net Sales by Industry (NISSO, Non-consolidated)



Net Sales per Capita (NISSO, Non-consolidated)



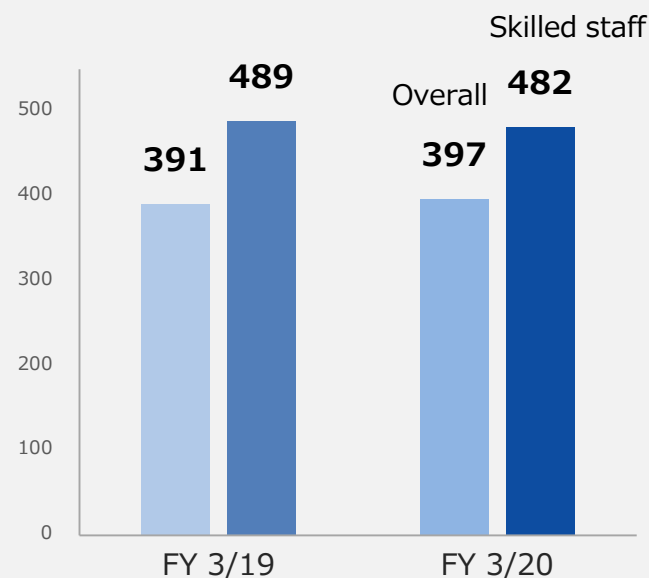
- FY 3/2021 1Q YTD <Overall net sales per capita> 358 Thousand yen (-33 Thousand yen YoY)
<Skilled staff net sales per capita> 419 Thousand yen (-66 Thousand yen YoY)
- Although billing unit-costs were on the rise, net sales per capita decreased YoY due to a decrease in the hours of operation (number of working days, overtime hours, holiday work, etc.) as a result of production cutbacks due to the spread of COVID-19 infections

(Unit: Thousand yen)

(Unit: Thousand yen)

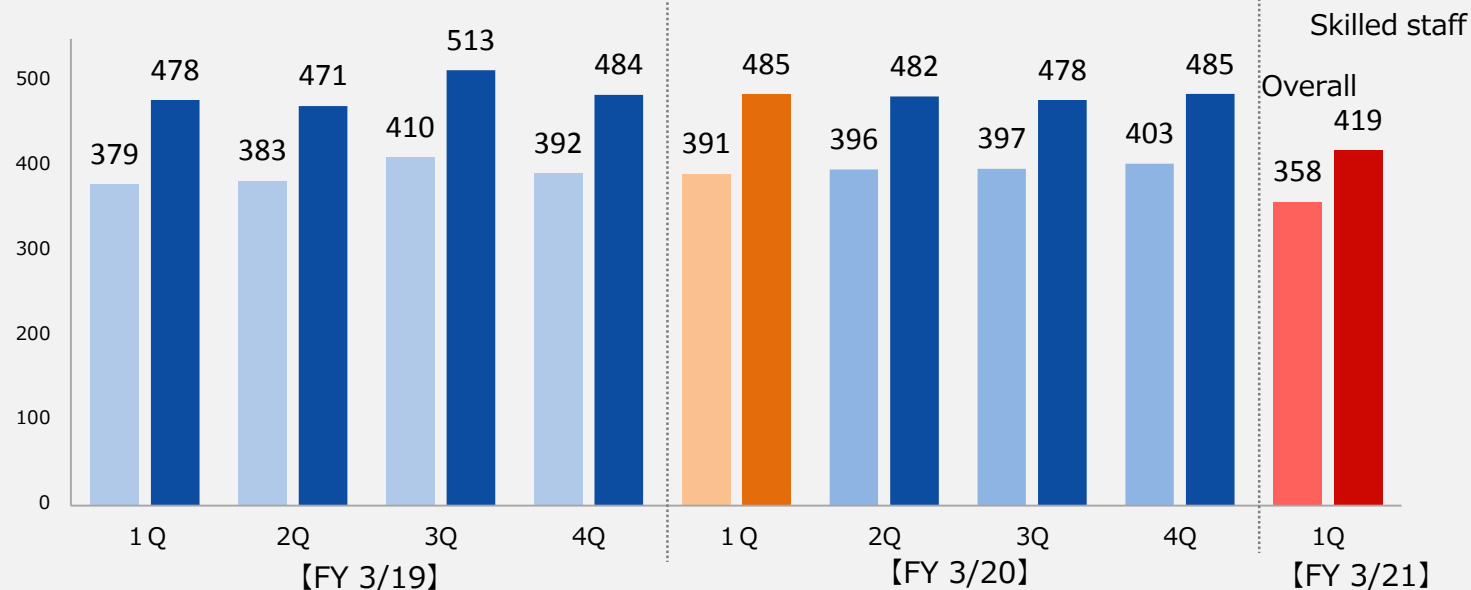
Net Sales per Capita

(Monthly Average Conversion)



Net Sales per Capita

(Quarterly)



Number of Enrolled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Compared w. Previous FY-end

-1,527 staff (-10.3%)

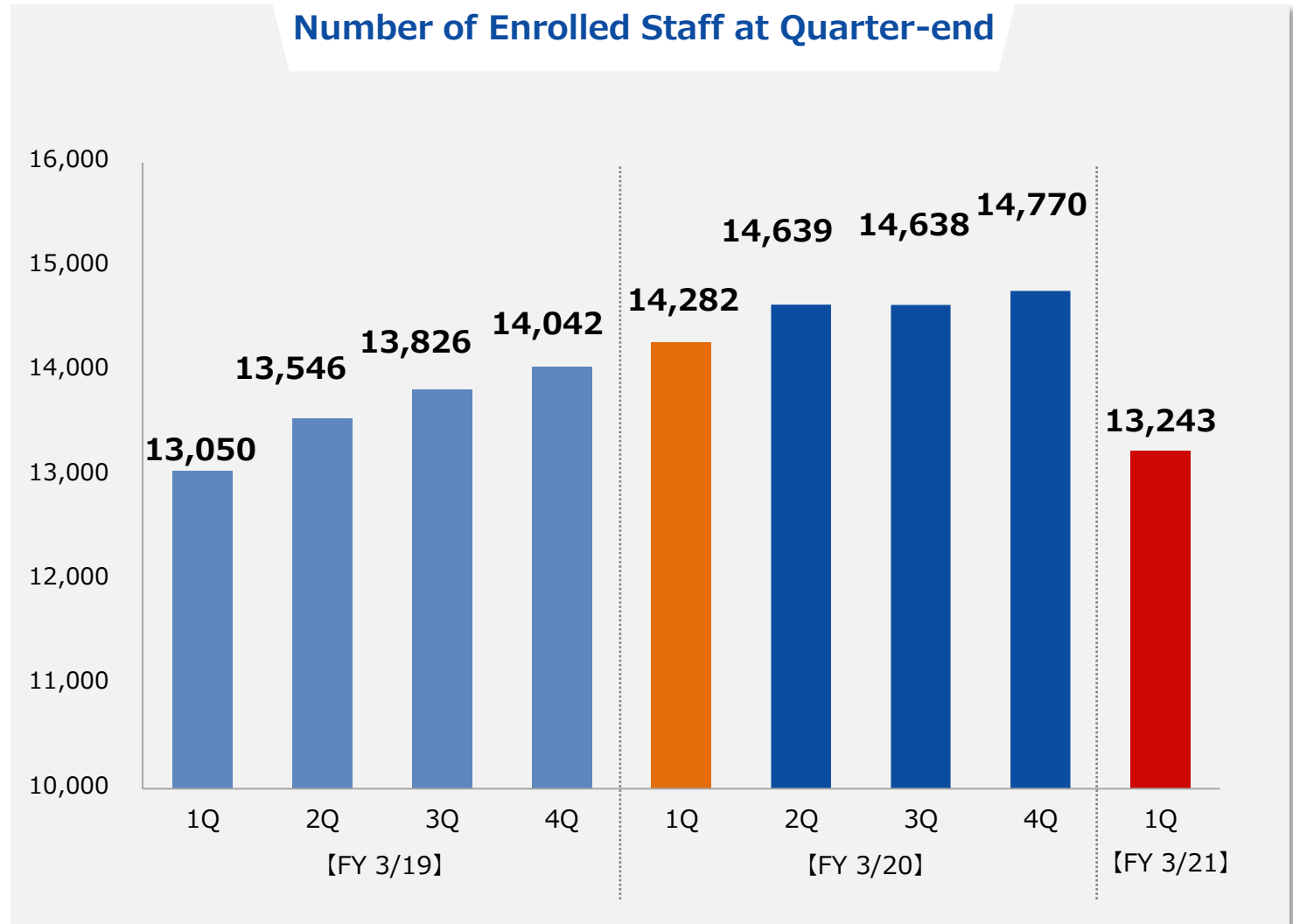
Point①

New orders (needed personnel) have decreased significantly due to a decline in global demand as a result of the spread of COVID-19 infections. In addition, the number of needed personnel to replenish the staff leaving the workplaces also decreased due to the occurrence of surplus personnel.

Point②

Since April, the number of resigned personnel due to the expiration of contracts increased, peaking in June. Despite efforts for the continued employment of staff, enrollment will decline due to factors of Point ①.

Number of Enrolled Staff at Quarter-end



Number of Skilled Staff (NISSO, Non-consolidated)



Point①

Although client production trends are severe, NISSO will continue the assignments of skilled staff centering on Account Companies, which is our basic strategy.

Point②

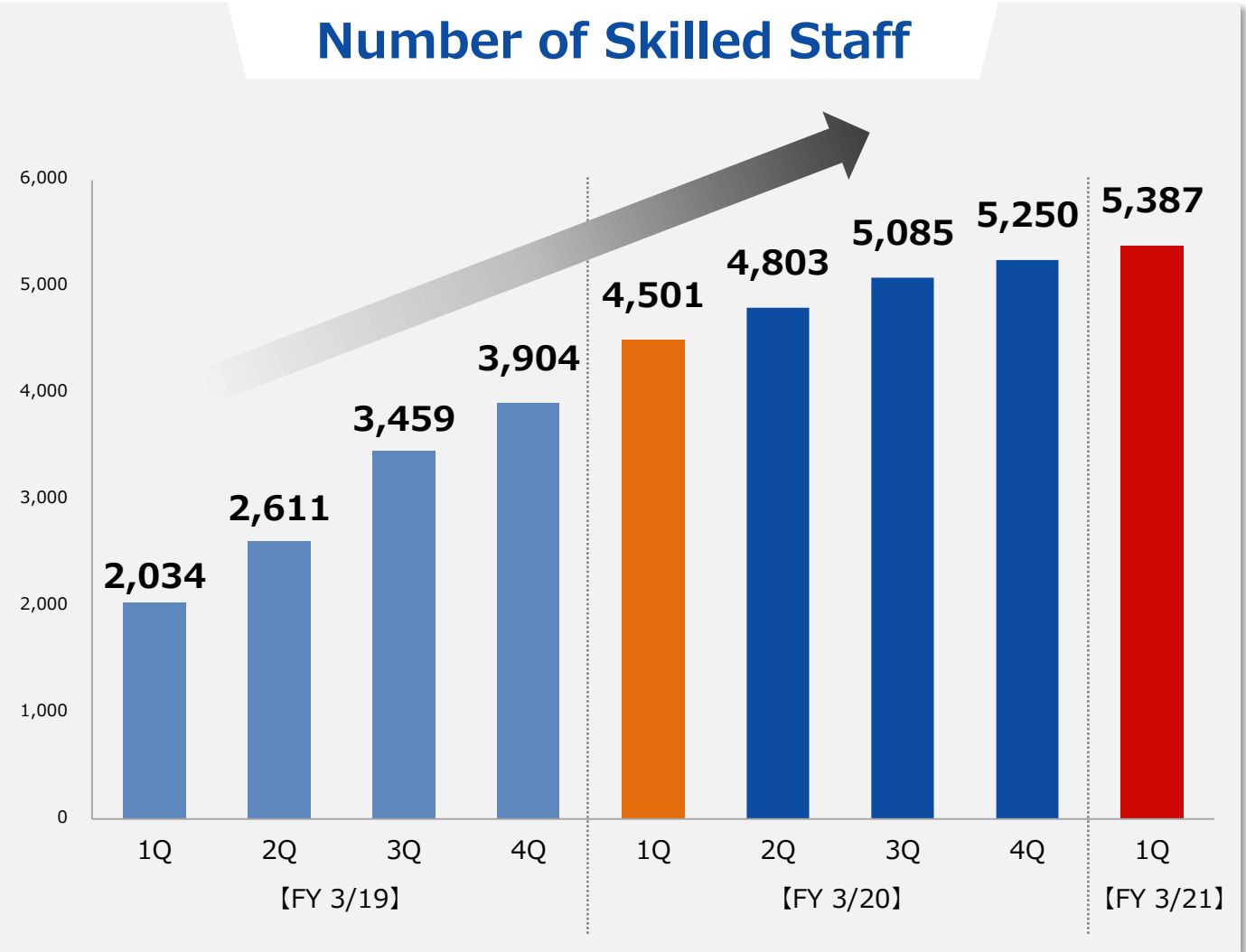
Demand for telecommunications-related IT infrastructure investments increased, which will increase among Account Companies and business partners centering on semiconductors. In total, the number of skilled staff increased by 137 compared to FY 3/2020 4Q.

Point③

The number of skilled staff continues to increase, and the ratio of skilled staff to NISSO's total enrolled staff is 40.7%. (FY 3/2020 4Q: 35.5%)

(Unit: # of Staff)

Number of Skilled Staff



Account Companies (NISSO, Non-consolidated)



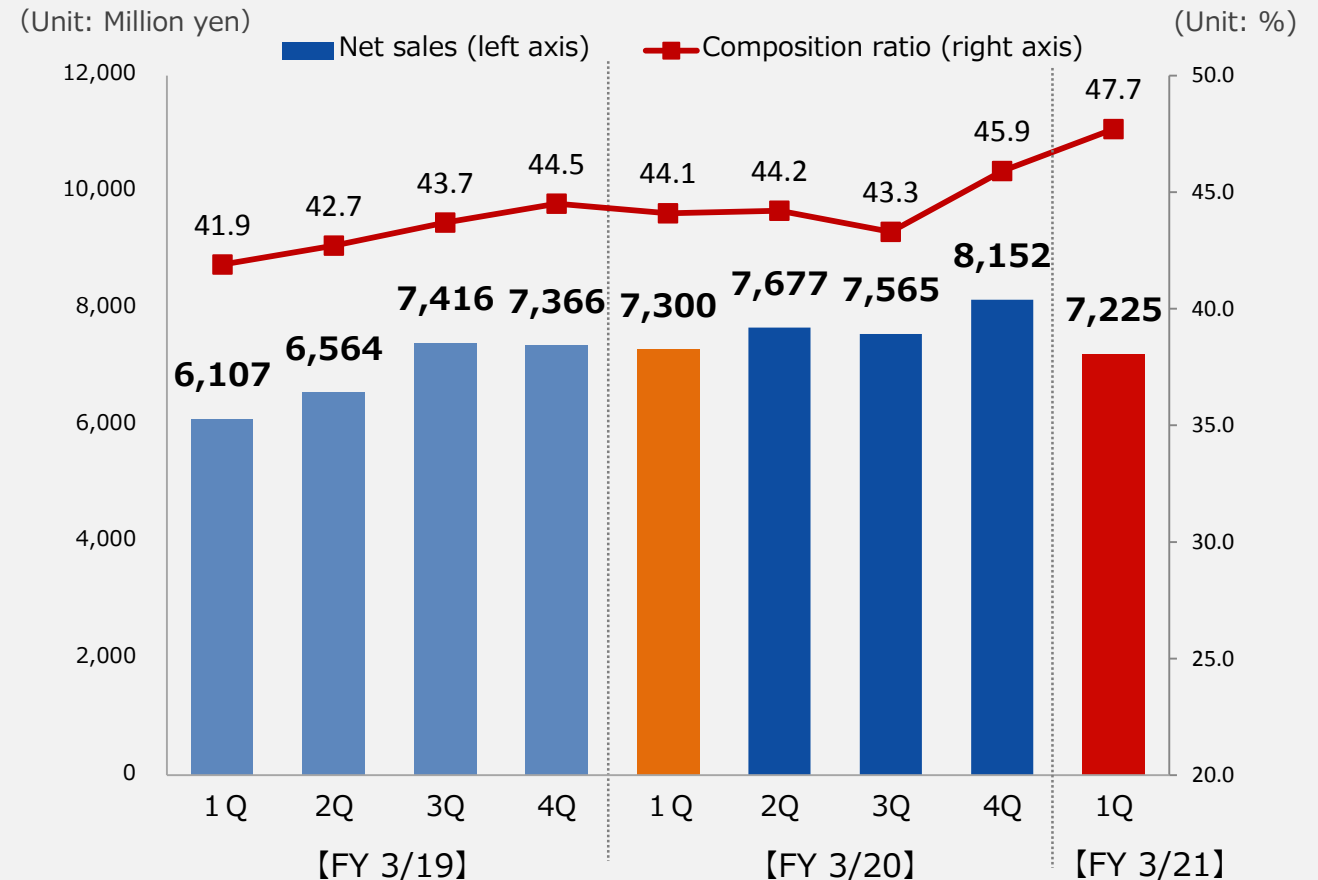
Point①

The net sales share ratio of Account Companies in FY 3/2021 1Q was 47.7%.
(FY 3/2020 4Q: 45.9%)

Point② (Year-on-Year)

Net sales of NISSO decreased by 8.5% YoY, while Account Company Group net sales decreased by only about 1% YoY. By Account Company Groups, although the impact of production cutbacks in the automobiles-related industry was significant, the range of reduction was small compared to that of all of NISSO. In addition, net sales in the electronic devices-related industry have increased, and are steady.

Account Company Groups Net Sales



Turnover Rates (NISSO, Non-consolidated)

(Unit: %)

FY 3/2021 1Q Results

Overall turnover rate

5.1%

(+0.4 pts vs. FY 3/2020)

Skilled staff turnover rate

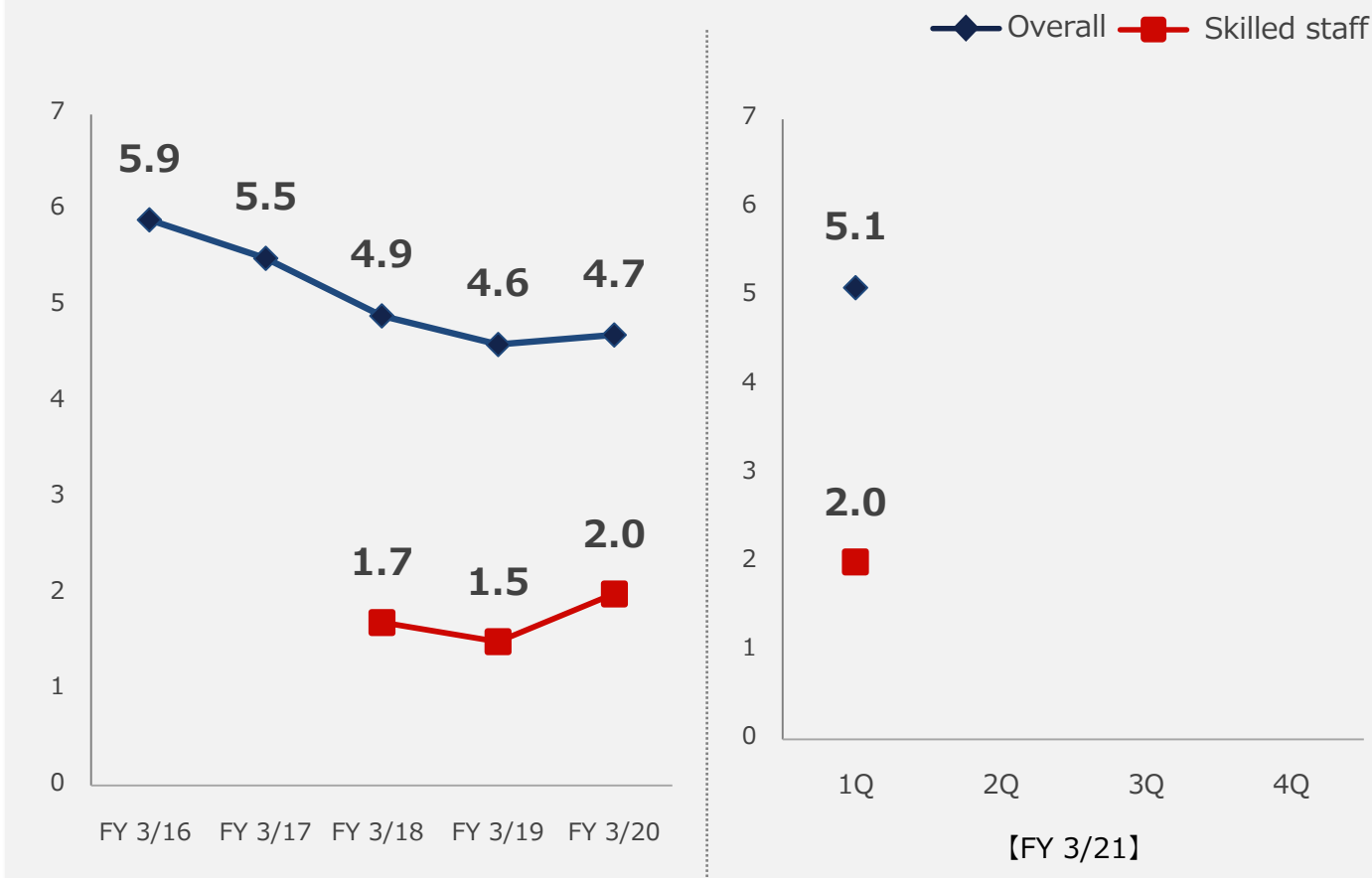
2.0%

(±0.0 vs. FY 3/2020)

Point

Due to increases in the number of personnel who resigned as a result of contract expiration, although efforts were made to have them continue employment, because of restrictions on regional mobility, the overall turnover rate increased.

Trend of Turnover rates



Educational Achievements (NISSO, Non-consolidated)



Point①

Orders from semiconductor manufacturers were strong, and since client needs for maintenance personnel are high, demand is expected to continue.

Point②

Facilities have been expanded from the previous FY to meet the needs of clients. Technical Center Higashi-Nihon is now able to support maintenance education, and the scale of acceptance is expanding.

Point③

The curriculum will be enhanced so that high-quality training can be conducted to provide new services such as production technology.

- FY 3/2021 1Q Course-specific educational achievements
(total # of participants)

(Unit: # of participants)

Training course name	1Q (Apr - Jun)	Contents	FY 3/20 1Q
Skilled staff education	259	Standard skilled staff education	393
Basic maintenance education	69	Basic equipment maintenance education	39
Accredited vocational training education	9	Accredited vocational training school (Miyagi · Nagano Prefectures)	72
Manufacturing education	796	MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	312
Safety education	592	Danger · risk simulation education	162
Employee education	134	New graduate/mid-career entry/ mid-level employee training, newly appointed chief education, on-site supervisor education	184
Other education	44	Entrusted education from external sources	28
Total	1,903		1,190

Other Businesses Business Revenue

Points

- Net sales increased YoY due to an increase in the number of residents in Building 6.
- Due to the spread of COVID-19 infections, facility previews have been suspended, and the growth in the number of residents has slowed.
- The cost of sales increased due to the introduction of helpers to stabilize the services provided, and operating loss amounted to 18 million yen.

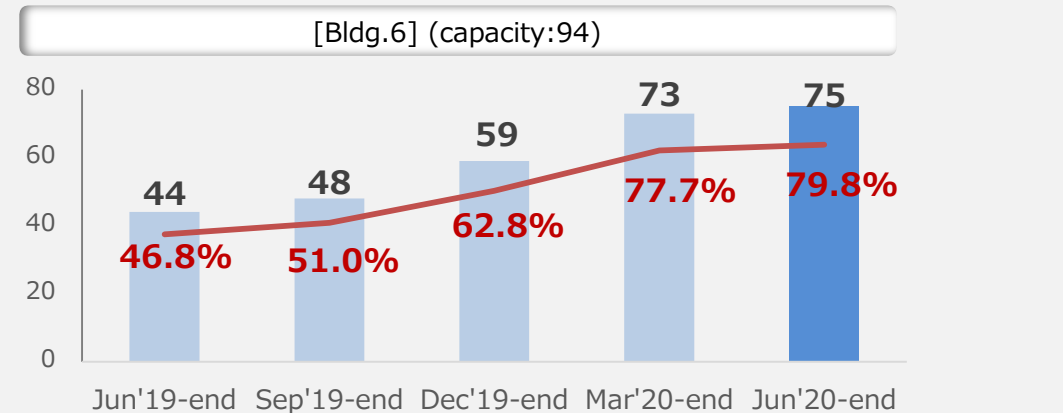
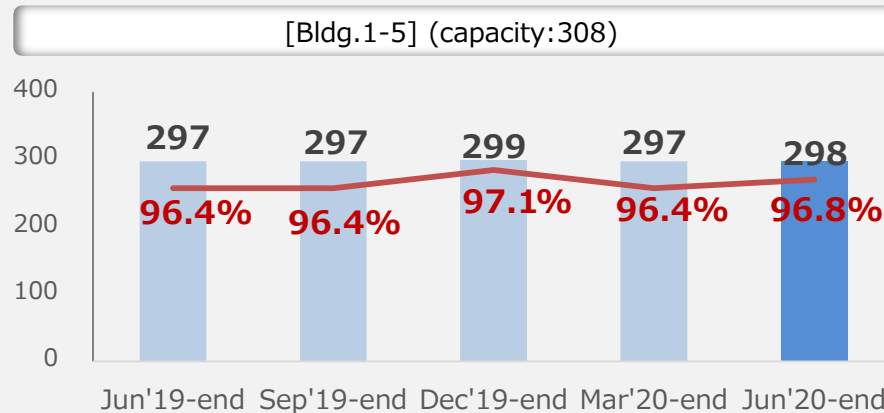
Results of Other Businesses

(Unit: Million yen)

	FY 3/20 1Q		FY 3/21 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	673	100.0%	720	100.0%	47	7.0%
Expenses	663	98.7%	738	102.6%	74	11.3%
Operating profit (loss)	9	1.3%	(18)	(2.6%)	(27)	—

Number of facility residents

(Unit: # of residents)





3

Future Prospects (FY 3/2021)

FY 3/2021 Full-year Consolidated Forecasts



General Human Resources Services Business

In the automobiles-related industry, operational adjustments are currently eliminated due to the recovery of domestic and overseas demand. Production activity is expected to recover moderately in the future. For the electronic devices-related industry, IT-related demand is expected to remain firm.

Other Businesses

Net sales increased due to an increase in the number of residents of Sweetpea Higashi Totsuka (Bldg. 6). The number of facility previewers also recovered from June, and the operating loss is expected to be eliminated during the current FY.

(Unit: Million yen)

	FY 3/20		FY 3/21 Forecast		Year-on-Year	
	Results	% of Total	Forecast	% of Total	Increase (Decrease)	% Change
Net sales	74,966	100.0%	64,000	100.0%	(10,966)	(14.6%)
Operating profit	3,061	4.1%	1,500	2.3%	(1,561)	(51.0%)
Ordinary profit	3,149	4.2%	1,750	2.7%	(1,399)	(48.4%)
Profit attributable to owners of parent	2,033	2.7%	1,050	1.6%	(983)	(48.4%)



4 Topics

1. Top Meetings with Account Company Management Executives
(On-line interviews)
 - Collection of accurate information on future trends and issues
 - Changes in manufacturing worksites and new needs during/after COVID-19
 - Establishment of a structure to solve problems and respond to new needs

2. Reducing infection risks•ensuring safety for all employees
 - Establishment of the "COVID-19 Countermeasures Headquarters"
(March 2, 2020)
 - Recommendation of staggered work schedules and teleworking
(environmental improvements)
 - Implementation of on-line training
 - Thorough implementation of infection prevention measures for recruitment offices and on-line interviews

Capital and Business Alliance with Cross Compass Ltd.



NISSO would like to announce that it has resolved to conclude a basic agreement for a capital and business alliance with Cross Compass Ltd. (Cross Compass) and to begin cooperative discussions, at the Board of Directors' Meeting held on August 7, 2020.

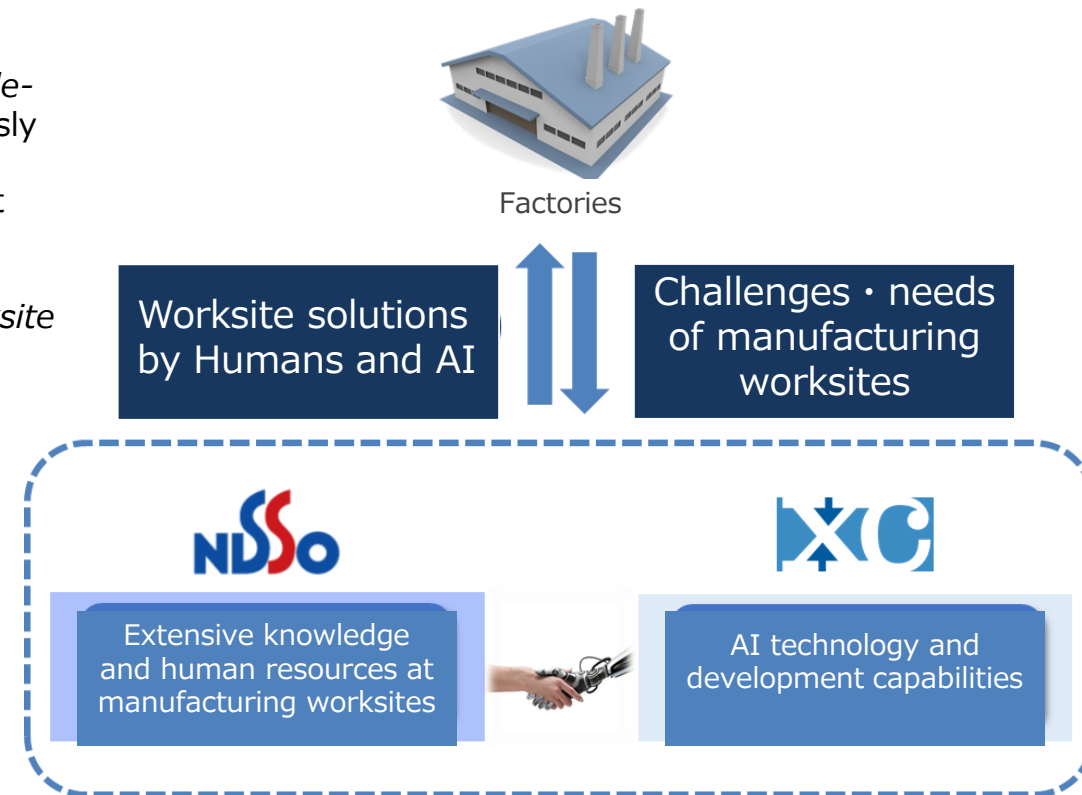
Purpose and Reason for Capital and Business Alliance

Based on NISSO's vision of "To Be the Finest Professional Organization Supporting Made-in-Japan", we have aimed to provide high-quality services that enables us to continuously grow as a company. On the other hand, with the vision of "AI Closer to You", Cross Compass is engaged in the development and technical consulting of AI mainly aimed at solving problems for clients in the manufacturing sector. By taking advantage of the strength of both companies, we have reached this basic agreement with the aim of creating high value-added services for the manufacturing industry referred to as "Worksite Solutions by Humans and AI".

【Company Overview】

(1) Company name	Cross Compass Ltd.
(2) Location	2-9-11-9F Shinkawa, Chuo-ku, Tokyo
(3) Representative	CEO Katsunobu Suzuki
(4) Business description	Digital technology consulting for manufacturing industry centered on artificial intelligence Development and provision of products
(5) Capital	134 Million JPY
(6) Date of establishment	April 10, 2015 (Founded: October 17, 2011)

※For more information, please refer to the "Notice of Conclusion of Basic Agreement for Capital and Business Alliance with Cross Compass Ltd." announced today (August 7, 2020).





5 Shareholder Return Policy

Shareholder Return Policy

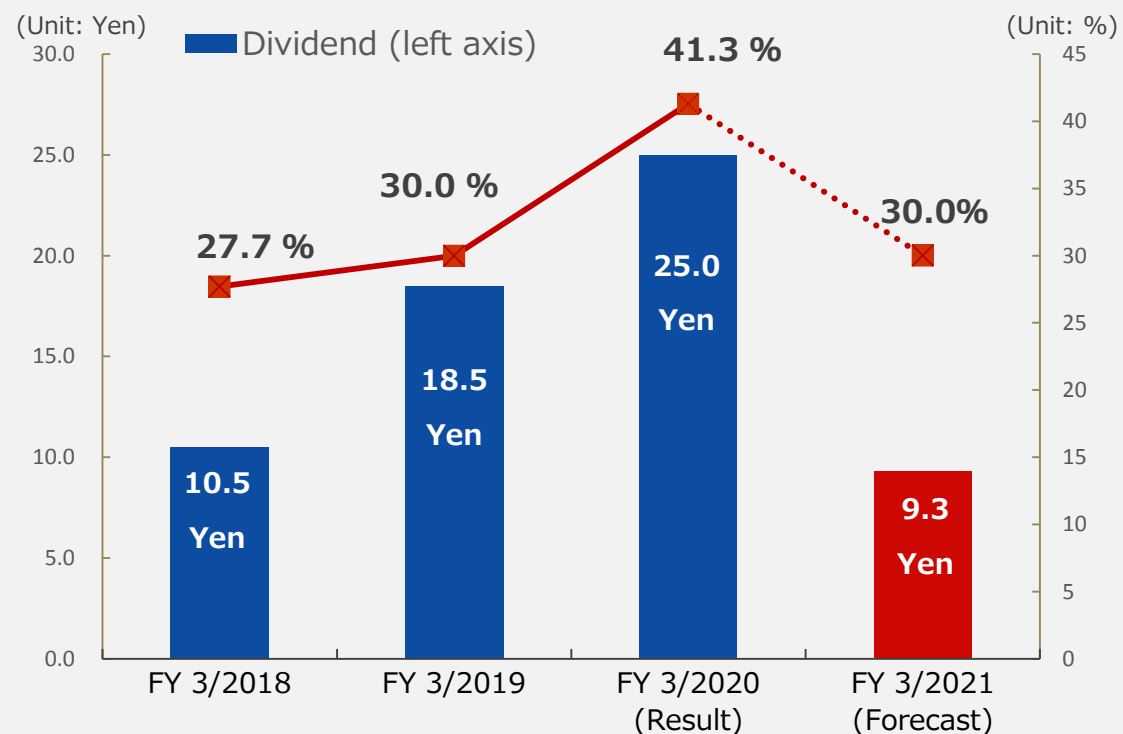
Basic Policy

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. In addition, by setting the consolidated dividend payout ratio of 30% as a general standard, NISSO's basic policy is to continue to steadily redistribute profits to all of its shareholders.

FY 3/2021 Dividend Forecast

NISSO forecasted the dividend per share (9.3 yen) announced in the "Summary of Consolidated Financial Results for the First Quarter of FY 3/2021 [Japanese GAAP] Dividend Forecast" on August 7, 2020. In the current FY, the dividend payout ratio is set at 30%, in consideration of investments for growth in the next FY and beyond.

Dividend and Payout Ratio



※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.



6

Supplementary Materials

Consolidated Balance Sheet

	Mar. 2020-end		Jun. 2020-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	15,622	69.5	13,273	66.3	(2,348)
Cash and deposits	6,365	28.3	5,363	26.8	(1,002)
Notes and accounts receivable - trade	8,434	37.5	7,071	35.3	(1,362)
Non-current assets	6,871	30.5	6,757	33.7	(113)
Property, plant and equipment	4,754	21.1	4,750	23.7	(3)
Intangible assets	377	1.7	344	1.7	(32)
Investments and other assets	1,739	7.7	1,662	8.3	(77)
Total assets	22,494	100	20,031	100	(2,462)
Current liabilities	9,279	41.3	7,573	37.8	(1,705)
Accrued expenses	4,648	20.7	4,283	21.4	(364)
Income taxes payable	812	3.6	72	0.4	(739)
Provision for bonuses	879	3.9	512	2.6	(366)
Non-current liabilities	1,319	5.9	1,305	6.5	(13)
Long-term loans payable	623	2.8	589	2.9	(34)
Total liabilities	10,598	47.1	8,879	44.3	(1,719)
Shareholders' equity	11,974	53.2	11,230	56.1	(743)
Total net assets	11,895	52.9	11,152	55.7	(743)
Total liabilities and net assets	22,494	100	20,031	100	(2,462)

Point

① Reduction due to reduced operations

Due to the reduction of operations of the manufacturing-related human resources services, "notes and accounts receivable (trade)" of current assets and "accrued expenses" of current liabilities decreased.

② Tax payments

Income taxes and other tax payments made at the end of May reduced current liabilities such as "income taxes payable".

③ Bonus payments

Due to the payment of summer bonuses at the end of June, "provision for bonuses" of current liabilities decreased.

④ Dividends

Shareholders' equity decreased due to dividend payments in June.

⑤ Overall

As a result of the above, total assets decreased by 10.9%, total liabilities decreased by 16.2%, net assets decreased by 6.2%, and equity ratio increased by 2.8% to 55.7%.



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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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