



NISSO CORPORATION had higher revenue and profits in the first half of the year, and expects sales per capita at an unprecedented high level due to the future recovery production of automobiles manufacturers.

NISSO CORPORATION First Six Months of FY 3/2022 Financial Results Briefing Materials

NISSO CORPORATION

6569 · First Section of the Tokyo Stock Exchange · Services

This is a transcript of the financial results briefing for the second quarter of the fiscal year ending March 31, 2022, held on November 11, 2021, by NISSO CORPORATION.

Speaker Ryuichi Shimizu, Representative Director, President & CEO, NISSO CORPORATION

Sponsor NISSO CORPORATION

Website <https://www.nisso.co.jp/en/>

Summary

Summary



FY 3/2022 2Q Results

- In the automobiles-related industry, operations decreased due to the shortage of semiconductors and parts, and compensation expenses for staff were incurred
- Increased personnel for automobiles-related industry to prepare for recovery of production in the future
- Strong demand for semiconductors
- Revenue and profits increased year-on-year
- Started business synergy activities with subsidiary Vector Shinwa
(Aim to expand business by leveraging the strengths of both sales, recruitment, and education)

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Ryuichi Shimizu (Shimizu): Ladies and gentlemen, thank you very much for taking the time out of your busy schedule to come here today. And thank you also to those of you who are listening to the live webcast.

I would like to talk about our summaries. I will explain each of the items listed on the slide in detail later. First of all, I would like to explain a little bit about 'Starting business synergy activities with subsidiary Vector Shinwa' which will not be discussed in the explanation later.

Since all shares were acquired as of August 31 and the deemed acquisition date was September 30, there is almost no impact on P/L at this time, and only the balance sheet is combined.

Let me explain a little about the intention our acquisition of Vector Shinwa Co., Ltd. This company has very strong relationships with companies that make semiconductor manufacturing equipment and semiconductor measurement equipment, with which we do not have a trading account.

The company is not very large, but it is recognized for its very high technology. In the future, we would like to strengthen the area of electronic components, especially semiconductors, as our second pillar after the automobiles area. That is why we have decided to make this acquisition.

FY 3/2022 2Q Consolidated Financial Results Highlights

FY 3/2022 2Q Consolidated Financial Results Highlights

Points

- Revenue and profits increased due to an increase in enrollment.
- In the automobiles industry, non-operating days occurred due to semiconductor shortages and insufficient parts supply as a result of the effects of COVID-19. Indemnification compensation for manufacturing staff was generated, and gross profit margin declined
- In the automobiles-related industry, the number of staff increased in preparation for future recovery production.
- In Other Businesses, revenue and profits increased due to the stable number of residents.

Subsidy income

- FY 3/2021 2Q: 274 Million yen
- FY 3/2022 2Q: 65 Million yen

(Unit: Million yen)

	FY 3/2021 2Q		FY 3/2022 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	32,972	100.0%	36,694	100.0%	3,721	11.3%
Gross profit	5,093	15.4%	6,035	16.4%	942	18.5%
SG&A expenses	4,361	13.2%	5,211	14.2%	849	19.5%
Operating profit	731	2.2%	824	2.2%	93	12.7%
Ordinary profit	989	3.0%	908	2.5%	(80)	(8.2%)
Profit attributable to owners of parent	596	1.8%	587	1.6%	(9)	(1.6%)

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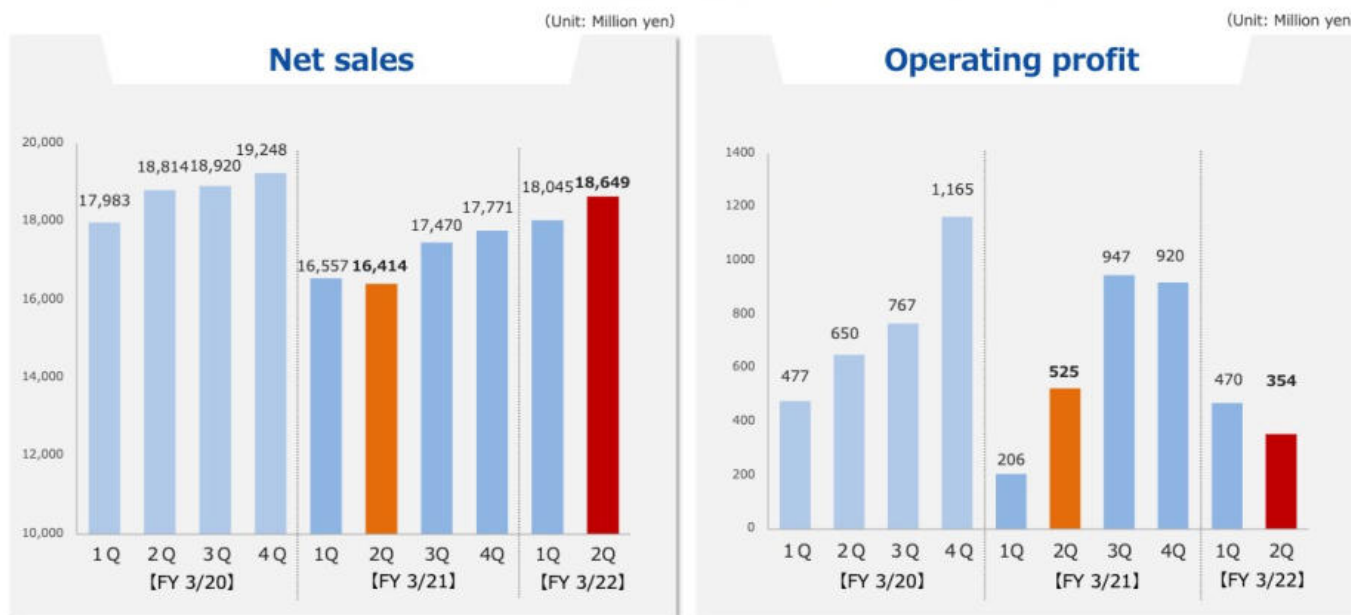
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This is a summary of our consolidated financial results. Due to the increase in the number of staff, as a result, both sales and profits have increased, despite some production adjustments in operating hours. However, as you all know, not only did we face a shortage of semiconductors in the automotive sector, which was our initial concern, but we also faced challenges in procuring wiring harnesses and other parts due to the lockdown.

In the latter half of the second quarter, we actually had people working on-site, but there were several locations where the capacity utilization was 80% of the original capacity utilization and 50% at the factories, which had a significant impact on our profits.

However, since we are in close contact with the largest group of automobiles manufacturers in Japan, we continue to hire people in order to win future profits even if we lose current profits. That is the situation up until now.

FY 3/2022 Quarterly Consolidated Financial Results Highlights



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As shown in the bar graphs, profit was relatively steady in the first quarter, but unfortunately, looking at it by quarter, we saw a large drop in profits in the second quarter.

FY 3/2022 2Q Non-consolidated Financial Results Highlights

FY 3/2022 2Q Non-consolidated Financial Results Highlights

Net sales

- Net sales increased by 12.7% partly due to an increase in the number of enrolled staff.
- In the automobiles-related industry, operations (number of working days, overtime hours, holiday work, etc.) decreased due to shortages in the supply of semiconductors and parts as a result of the effects of COVID-19, which affected net sales growth.

Expenses · Profits

- In the automobiles-related industry, indemnification compensation for manufacturing staff was incurred due to a decrease in operations.
- Investment in recruitment will continue in preparation for future recovery production.

Subsidy income

- FY 3/2021 2Q: 231 Million yen
- FY 3/2022 2Q: 17 Million yen

(Unit: Million yen)

	FY 3/2021 2Q		FY 3/2022 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	30,155	100.0%	33,981	100.0%	3,825	12.7%
Gross profit	4,839	16.0%	5,780	17.0%	941	19.4%
SG&A expenses	4,079	13.5%	4,917	14.5%	838	20.6%
Operating profit	760	2.5%	863	2.5%	102	13.5%
Ordinary profit	977	3.2%	888	2.6%	(89)	(9.1%)
Profit	605	2.0%	571	1.7%	(34)	(5.7%)

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These are our non-consolidated financial results. In addition to what I mentioned earlier, you will notice that SG&A expenses have increased significantly when compared to the previous fiscal year. Of

the 838 million yen increase in SG&A expenses compared to the same period of the previous fiscal year, about 500 million yen was due to the increase in recruiting expenses. In the first half of the previous fiscal year, recruiting expenses were significantly lower compared to this year because we had not yet fully recovered from the COVID-19 pandemic.

A little irregularity is the employment adjustment subsidy. Last year, the subsidy income was 231 million yen, but this year it is only a small part of the total, with 17 million yen coming in as non-operating subsidy profit, either as a subsidy for non-operation due to production adjustments or as a subsidy for developing skills.

As I mentioned earlier, net sales have increased compared to the previous fiscal year, despite the fact that operating hours and other factors were very short due to the increase in the number of staff.

FY 3/2022 Quarterly Non-consolidated Financial Results Highlights

FY 3/2022 Quarterly Non-consolidated Financial Results



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The bar graphs show net sales and operating profit on a quarterly and non-consolidated basis. As I stated earlier, you can see from the graph that profits were very low in the second quarter.

Aside from the previous fiscal year, it would not be surprising if we were to exceed the record-high net sales in the second quarter of the previous fiscal year. However, unfortunately, the production adjustments by automobiles manufacturers that I mentioned earlier have had an impact on this result. I will explain the details again later.

FY 3/2022 2Q Financial Results Summary

FY 3/2022 2Q Financial Results Summary



Consolidated Financial Results

Net Sales **36,694 Million yen** (3,721 Million yen/11.3% YoY)
Operating Profit **824 Million yen** (93 Million yen/12.7% YoY)

● Net Sales by Industry (YoY)

Automobiles ... **+18.0%**
Electronic devices ... **+15.3%**

• In the automobiles-related industry, net sales increased by 18.0% YoY. Due to a shortage of semiconductors, mainly at auto-body manufacturers, and a shortage of parts supply due to the impact of lockdowns in Southeast Asia, although operations decreased, the number of staff increased in order to recover production.
• In the electronic devices-related industry, net sales increased by 15.3% YoY. In addition to the robust semiconductor production, the production of electronic components also increased.

● 2Q-end Number of Enrolled Staff

14,225 staff
(+1,079 staff from FY 3/21-end)

• The number of enrolled staff increased by 1,079 compared to FY 3/21-end. In the future, in addition to the automobiles industry, which is expected to recover, the number of staff will increase with the electronic devices industry, mainly in semiconductors.

● Net Sales per Capita/Monthly

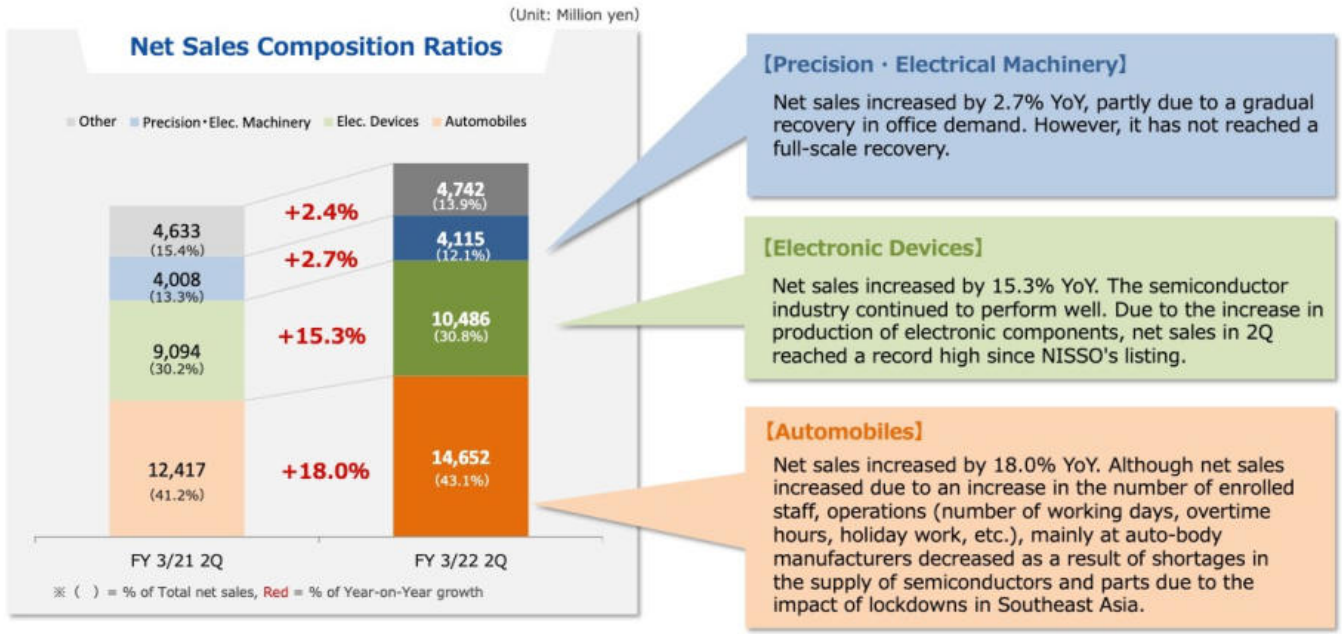
406 Thousand yen
(+33 Thousand yen YoY)

• Net sales per capita increased by 33 thousand yen YoY, partly due to the increase in billing unit-costs.
• In the automobiles-related industry, operations (number of working days, overtime hours, holiday work, etc.) decreased due to shortages in the supply of semiconductor and parts, which affected the growth of net sales per capita.

I will explain the overview of our activities. The financial results summary for the second quarter will be explained in detail item by item later.

FY 3/2022 2Q Net Sales by Industry (NISSO, Non-consolidated)

FY 3/2022 2Q Net Sales by Industry (NISSO, Non-consolidated)



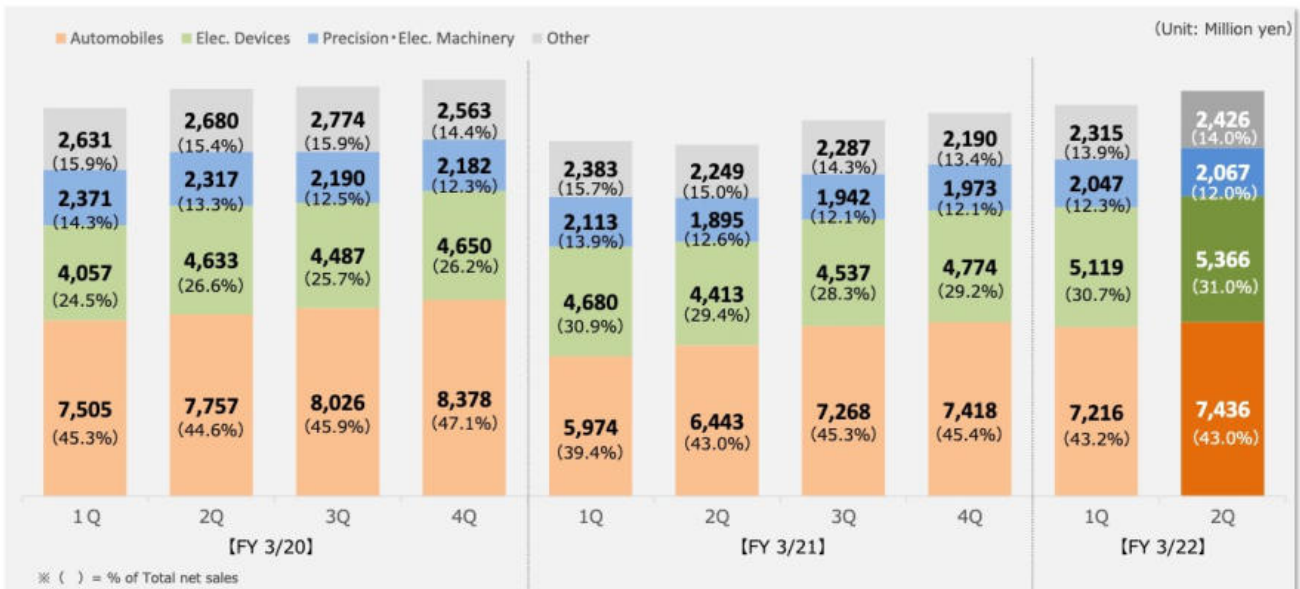
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The bar graphs on the slide show the net sales composition ratio compared to the previous fiscal year, which is composed of automobiles, electronic devices, precision & electrical machinery and other, all of which reflect an increase compared to the previous fiscal year.

FY 3/2022 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



FY 3/2022 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



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Please take a look at the quarterly non-consolidated net sales by industry. As I mentioned earlier, from the first quarter to the second quarter, net sales of electronic components reached a new record high, partly due to the very strong performance of semiconductors. However, unfortunately, the net sales of automobiles have not yet reached the level of the record high in the past.

However, if we compare the second quarter of the previous fiscal year with previous years in the category of automobiles, net sales per capita was 84,000 yen less. Although unit costs are steadily increasing every month and the simple average is also increasing, the net sales per capita in the automobile category was 84,000 yen lower.

The number of staff working in the category of automobiles was 5,811 for the second quarter of the fiscal year ending March 2022 and 4,898 last year. This was an increase of 913 people from last year, but the fact that our net sales per capita have dropped by 84,000 yen, has had a significant impact on our profits.

Incidentally, in our account with the largest automobile group, if you look at the second quarter of last fiscal year in September, it is very easy to understand the current figures, so I will tell you that last September, net sales per capita was 549,000 yen, but in September of this fiscal year, net sales per employee were 428,000 yen, a drop of 121,000 yen.

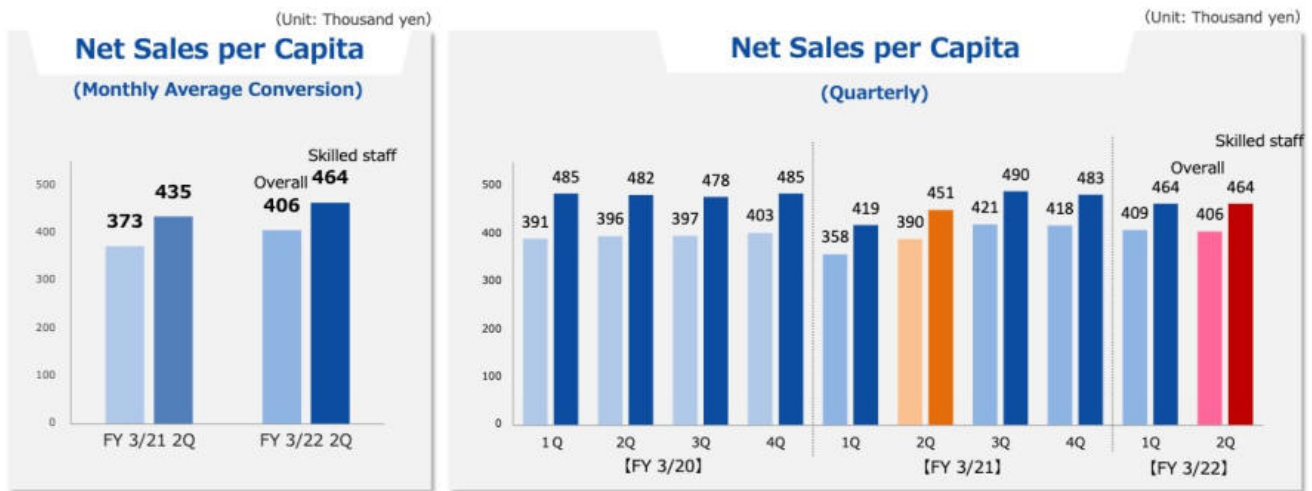
This does not mean that unit costs have dropped, but rather that we have been seriously affected by production adjustments due to the lack of parts coming in. The total number of such employees was 3,249, resulting in an increase of 623 in enrollment compared to last year.

Net Sales per Capita (NISSO, Non-consolidated)

Net Sales per Capita (NISSO, Non-consolidated)



- FY 3/2022 2Q YTD <Overall net sales per capita> 406 Thousand yen (+33 Thousand yen YoY)
<Skilled staff net sales per capita> 464 Thousand yen (+29 Thousand yen YoY)
- Overall and skilled staff net sales per capita increased YoY. The pace of growth has slowed, partly due to an increase in billing unit-costs and a decrease in operations in the automobiles-related industry.



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This is net sales per capita. Compared to the same second quarter, compared to last year, it doesn't seem to have dropped that much, but it has actually had a significant impact on net sales per capita. Let me tell you a little bit about what's going on. As a matter of fact, production had been recovering steadily until around July of this year, but in August we made production adjustments at some of the factories in consideration of semiconductor procurement. In September, in addition to the shortage of semiconductors, lockdowns in Southeast Asia affected various parts including wire harnesses. As a result, the number of overtime hours per person per month has decreased by about 8 hours compared to July.

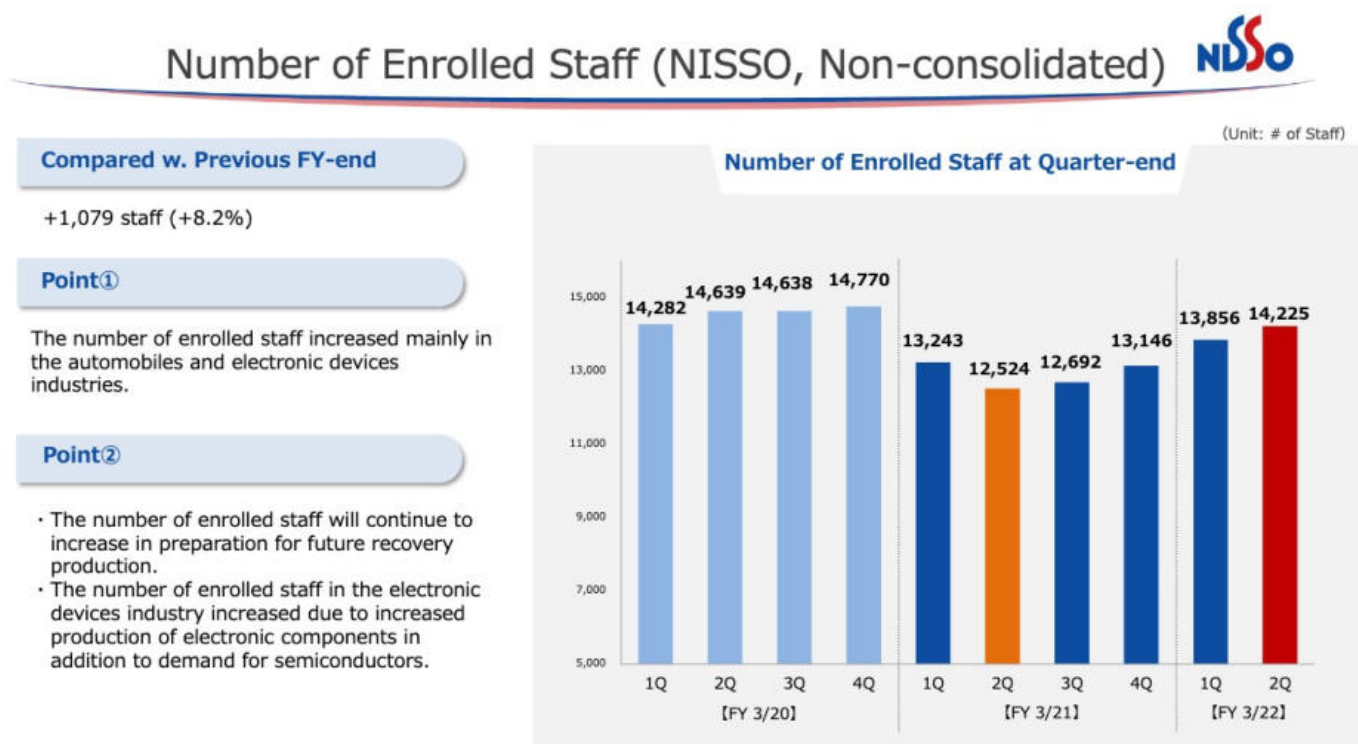
I am also here to tell you that in addition to these hours, we have also been affected by other factors such as stopping the process on so-called days when we should be operating. However, just as a simple average, even compared to last year, we are in a situation where the order hourly rate has increased by approximately 30 yen, so I think we can say that the net sales per capita would have been much larger than it should have been.

Another thing I want to explain is the issue of paid holidays. As a matter of fact, 80% compensation is provided as compensation for absence from work, but if staff take paid holidays, they will naturally receive 100%, or 100% of their salaries.

Regarding paid leave, September has seen a very large increase. Normally, the monthly paid leave utilization rate is at a level of a little less than one day per person. It may not seem like much, but this September it was 1.2 days.

If you look at the total number of days taken, it is usually less than 10,000 days, but in September it was about 17,000 days, so I think the fact that over 7,000 days of paid vacation were used up in September has a big negative impact on profit.

Number of Enrolled Staff (NISSO, Non-consolidated)



Compared w. Previous FY-end

+1,079 staff (+8.2%)

Point①

The number of enrolled staff increased mainly in the automobiles and electronic devices industries.

Point②

- The number of enrolled staff will continue to increase in preparation for future recovery production.
- The number of enrolled staff in the electronic devices industry increased due to increased production of electronic components in addition to demand for semiconductors.

This is the number of enrolled staff. As you can see in the bar graph, we may see a slight slowdown in headcount in the second quarter compared to the first quarter, but there are two reasons for this.

First, due to the spread of COVID-19 in August, the number of people who come for interviews has stagnated a little. The second reason is that although the number of enrolled staff was increased mainly by account companies in September, there were some people who wanted to wait and see a little more due to the balance of parts procurement. Unfortunately, growth in headcount, or its approximation, slowed slightly in the second quarter compared to the first quarter.

However, since the current state of emergency is over, and as the newspaper says, automobiles are showing signs of recovery. People are coming in smoothly. Therefore, I think it can be said that we can return to the growth of the number of enrolled staff.

This is closely related to our growth strategy. So I want to explain it a little. One way to think about it was that we could not avoid assigning people to production sites where production adjustments were being implemented.

However, what was originally supposed to be finished in September has been delayed until October or November, but as a result, we have increased the number of staff while compensating for newly hired staff, and as a result, we have finally reached a situation where we can increase net sales greatly after December.

We will respond to the increase in production in the next fiscal year and beyond, even if we assume that this will have an impact on our current profits. Also, considering that we are increasing our shares in our account companies, we were prepared to invest rather than spend money, so we did that.

In the spring of this year, we heard from automobiles manufacturers that production will gradually increase from September, and that recovery production will start gaining in October. As a result, our account company group will start to make up for it from December.

The situation for other automobiles manufacturers have changed significantly, with production gradually increasing from December. Since December, we've heard that net sales per capita will probably be at a level we've never seen before.

For example, in December, we have been told that they would like to have a four-day holiday from the beginning of the month. Under these circumstances, December will see an unprecedented number of working days and hours.

Therefore, we can make up for the delay from December at once. Unfortunately, however, since the calendar is limited, we have decided that we have no choice but to revisit profits. For this reason, we have revised the profit for this investment to the end of the fiscal year.

Let me tell you a little bit about the transition of enrolled staff. In the first quarter, we achieved an increase in enrollment approximately three months ahead of the initial plan. As I mentioned earlier, the number of staff in the second quarter was 369, which was half the number in the first quarter.

From the third quarter onward, although the automobiles market has recovered, we are now in the process of procuring semiconductors. By receiving orders for various semiconductor-related components, we are steadily implementing our plans to reach the top line for the third year of our existing business, which we call our current business, at a very early date next year.

We originally planned to generate a profit of 4 billion yen next year, but from the perspective of the next fiscal year alone, we believe that profits from this fiscal year will be transferred to the next fiscal year. We are aware of the big jump in the third year of our current medium-term management plan.

The portion exceeding \4 billion will be aggressively raised to further raise the probability of a third-year in our medium-term management plan. We will be able to invest more in new businesses in the next fiscal year.

Number of Skilled Staff & Engineers (NISSO, Non-consolidated)

Number of Skilled Staff · Engineers (NISSO, Non-consolidated)



Point①

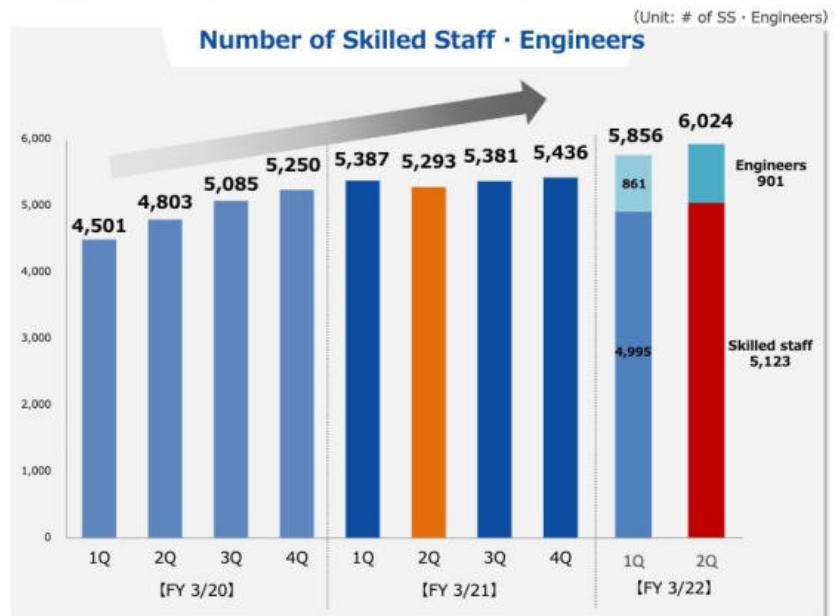
- Engineers: 901 (+40 vs. 1Q)
- Skilled staff: 5,123 (+128 vs. 1Q)

Point②

The number of engineers increased the most in equipment technology, an area which NISSO is focusing on.

Point③

The number of skilled staff increased mainly in automobiles manufacturers and their group companies, which are accounts.



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From the first quarter to the second quarter, we were able to increase the number of engineers by 40 and the number of skilled staff by 128. Let me explain our thinking about engineers. We are a newcomer in this technology area.

For this reason, rather than hiring new graduates or mid-career workers who have this kind of background, as is usually the case with human resources companies that specialize in technology, our approach is to train and increase the number of people who have the aptitude from among the 14,000 or so people we currently have as equipment engineers, engineers in the production technology area, and AI engineers.

As I will explain a little later in the training session, the progress in this area may seem a little slower than that of skilled staff. However, I would like to add that we are also increasing the number of employees in this engineering area ahead of schedule, as I will explain later.

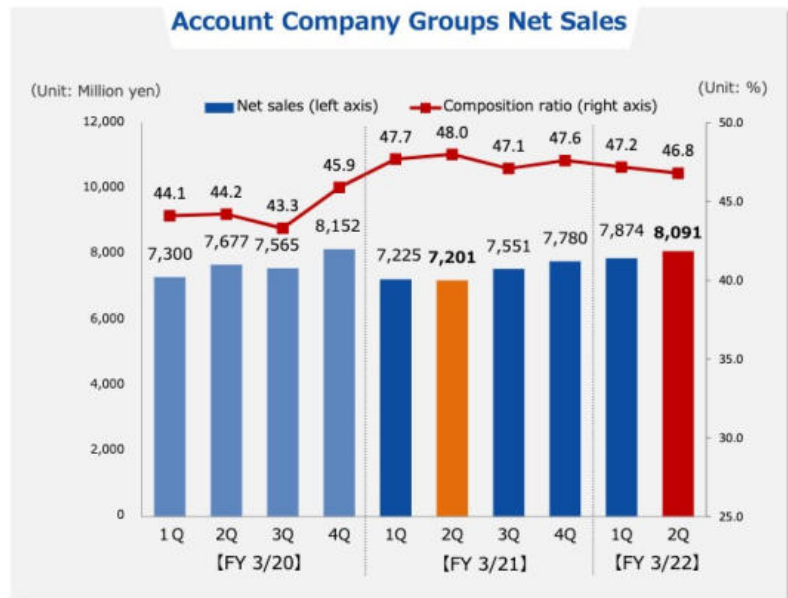
Account Companies (NISSO, Non-consolidated)

Point①

Net sales of Account Company Groups in 2Q increased by 12.4% YoY. Cumulative 2Q net sales increased by 10.7% YoY.

Point②

- Due to an increase in overall net sales, although the account composition ratio decreased YoY, net sales in 2Q reached a record high since NISSO's listing, continuing from 1Q.
- Despite the impact of shortages of semiconductors and parts supply due to the effects of COVID-19, net sales increased at automobiles manufacturers and their group companies, where the number of enrolled staff increased.



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This is the trend of account companies. Normally, as I mentioned earlier, we have been steadily increasing the number of account companies, so this share ratio should grow more than the growth of other businesses.

The impact of operating conditions of automobiles manufacturers, which I mentioned earlier, has been very significant. However, each automobiles manufacturer is finally starting to recover production. It is also clear that other companies that manufacture semiconductors and passive components will be even busier from the beginning of next year.

Therefore, while the overall scale of the business will increase, the net sales and composition ratio of this account will also increase, and the growth will be greater than that of the overall net sales.

Of these four account company groups, the first and largest account company group is the group of major automobiles manufacturers that I mentioned earlier.

While it was 43 percent of the total in the second quarter, it is about 60 percent in terms of share of the 7.436 million yen in net sales. Currently, even with after-hours or short operating hours, we are at 60%, so I believe that the percentage is already above 60% as it should be.

The second group of account companies is the world's largest group of passive components, capacitors. This one is placed in the electronic devices, and its share is 39 percent of the area of this electronic devices, which is about 40 percent.

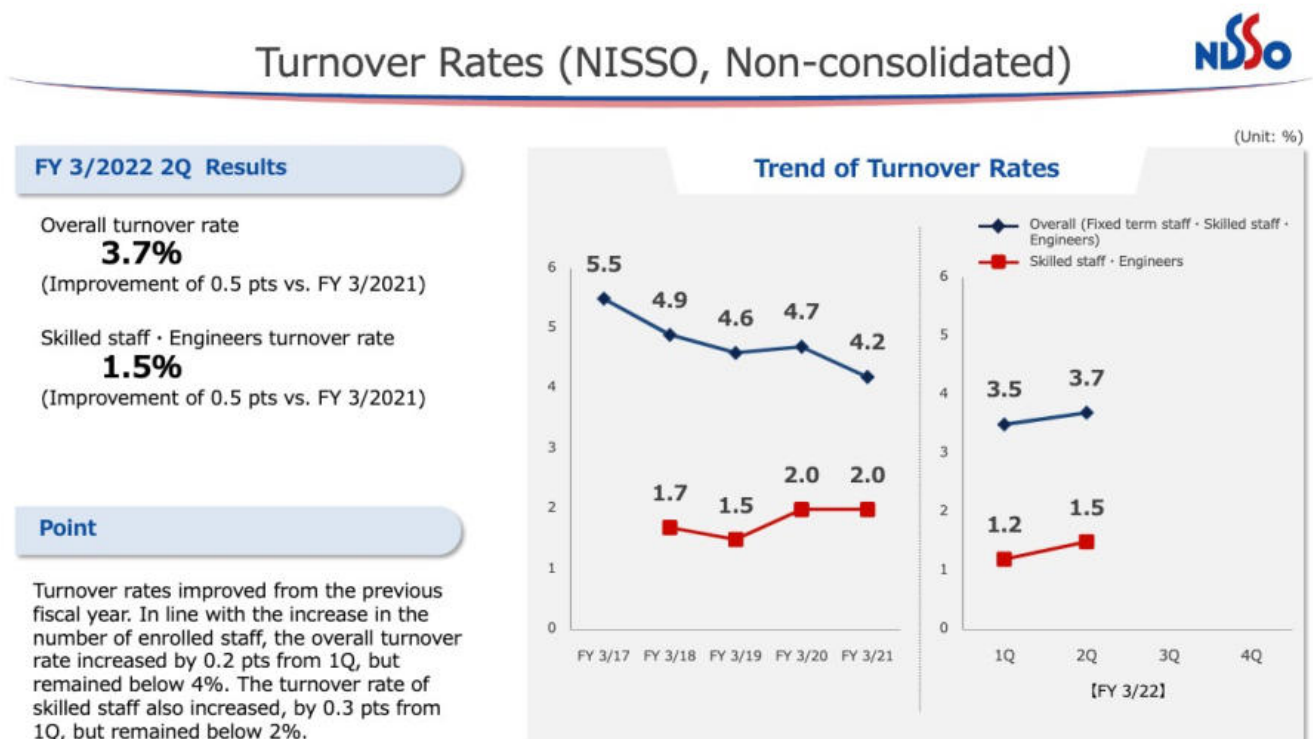
The third account company group is a growing group of general electronics manufacturers, especially those that make semiconductors. This group accounts for about 18% of the electronic components market.

The fourth account company group contains a company that makes multifunctional devices within precision electrical machinery, which accounts for 30.1 percent of the total. Because of the nature of multifunction devices and the global promotion of teleworking and other activities, unfortunately, the bottom has been reached, but I don't think it is at the level of a reversal like other industries.

As I have explained these four groups of account companies, there are about 700 companies we are in business with, mainly major manufacturers. We are currently negotiating with our clients to make some of these groups account companies in the future.

Account companies are defined by us as companies that are competitive and have growth potential. We define it as a company where we can talk directly to the executives in charge of production, generally senior managers and managing directors, and make proposals. We have the idea that we would like to make sure that we are prepared in those areas for the coming year.

Turnover Rates (NISSO, Non-consolidated)



These are the trends of our turnover rates, which are very important indicators. Although the overall turnover rate has increased slightly compared to the first quarter, our approach for this fiscal year was to keep it below 4 percent. In the second and third quarters of the current fiscal year, we have been able to control the turnover rate to below 4%.

Therefore, if we can continue to control the turnover rate below 4 percent in combination with recruitment, I think it will have a great impact on raising the number of staff and the top line as I mentioned earlier.

Educational Achievements (NISSO, Non-consolidated)

Educational Achievements (NISSO, Non-consolidated)

Point①

As the number of enrolled staff increased, the total number of participants in major courses increased by more than 1,000 YoY.

Point②

The number of participants in engineer education increased YoY due to job changes from skilled staff to engineers.

Point③

NISSO expanded educational facilities for voluntary maintenance personnel with the aim of expanding the number of engineers. In addition to the training facilities of TC Higashi-Nihon and TC Naka-Nihon, it is now possible for staff to take courses at TC Kyushu, and NISSO plans for further expansion in the future.

● FY 3/2022 2Q Main course-specific educational achievements (total # of participants)

(Unit: # of participants)

Training course name	2 Q (Jul~Sep)	Contents	FY 3/21 2Q
Skilled staff education	362	Standard skilled staff education	202
Basic equipment maintenance education	62	Basic equipment maintenance education	84
Engineer education	79	Manufacturing equipment maintenance · manufacturing equipment technology · Mechanical design · production technology · SEAJ education (safety education specializing in semiconductors)	16
Manufacturing education	1,369	MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	559
Total	1,872		861

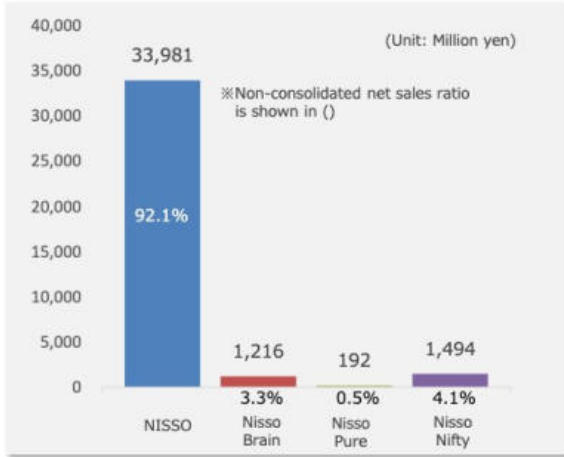
This is about our educational achievements. This is the education of engineers and the basic maintenance education that I mentioned earlier. This is a very important point for us to increase our added value in the future.

This is a very important point for us to increase our added value in the future. In this area, we were affected by the COVID-19 pandemic last fiscal year, but we have seen a large increase compared to the second quarter and the first half of the last fiscal year. Now that the COVID-19 pandemic has finally settled down, we are able to aggressively implement basic manufacturing education, which will lead to the expansion of engineers and skilled staff.

In addition to the conventional training facilities of TC Higashi-Nihon and TC Naka-Nihon, we are also expanding our training system in Kyushu. In addition, we have been able to increase the number of participants in education, which has been one of our strengths, by about 1,000 from the previous fiscal year, which is expected to lead to an increase in the number of enrolled staff and an improvement in the retention rate.

Net Sales and Operating Profit Ratio by Company

FY 3/2022 2Q
Net Sales by Company



FY 3/2022 2Q
Operating Profit by Company



92% or more of net sales and operating profit are composed of NISSO's non-consolidated business results

This graphs show the classification by company. In particular, it can be seen from the graphs that the manufacturing human resources services of NISSO CORPORATION account for the majority of the overall operating profit and net sales.

Existing Areas

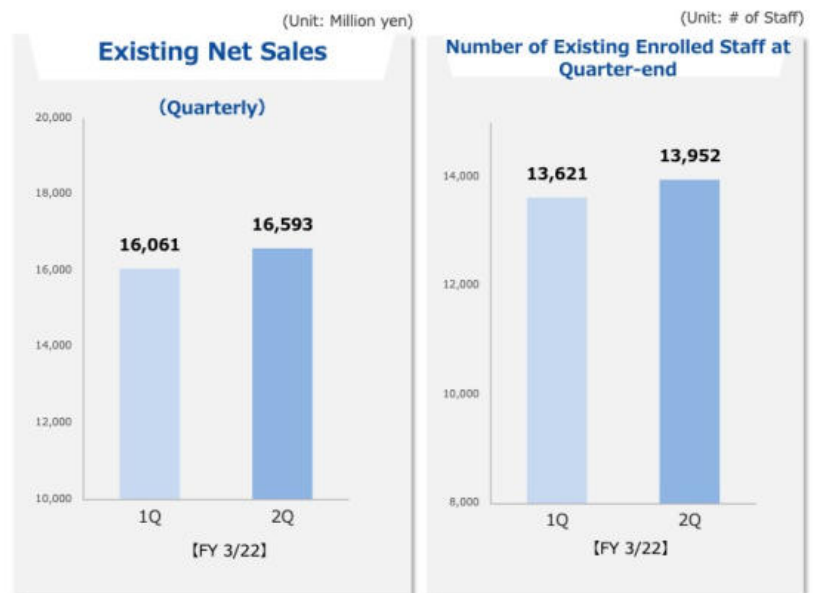
Existing Areas

Existing Net Sales

Net sales in 2Q alone increased by 3.3% compared to 1Q due to an increase in the number of enrolled staff, despite an adjustment in operations in the automobiles-related industry.

Existing Enrolled Staff

Although there was a decrease in automobiles operations due to the shortages of semiconductor and parts, the number of enrolled staff increased by 331 from 1Q in preparation for recovery production from the second half of 3Q.



In the new medium-term management plan that we started this fiscal year, we categorized our businesses into three categories: 'existing businesses,' 'engineering area,' and 'new businesses', which you can see from the slide.

These graphs show the growth in enrolled staff and the progress of net sales compared to the first quarter. We hope to be able to see the progress every quarter in the future.

Promotion of DX

Promotion of DX



By moving forward with DX, we will reform our business processes, corporate culture and corporate climate to establish competitive advantages and create new services.

Full-scale operation of "HR Cross" (web-based integrated human resources dispatching management system)

"HR Cross", an integrated human resources dispatching management system developed by CrossLink Co., Ltd., has been put into full-scale operation after a trial operation.

Features of "HR Cross":

- A system that enables client companies to communicate with each dispatching company online
- Centralized management of all processes from recruitment, contracts, management · evaluation of dispatched staff, to billing of client companies

Implementation and operation of "apseeds Portal"

Started the implementation and operation of "apseeds Portal" as a two-way communication tool with dispatched staff.

Key features of "apseeds Portal":

- inquiries ■ image transmission ■ online salary statements ■ clear indication of employment contracts · working conditions
- browsing function of rules · regulations etc.

For these times, please look at it as part of DX. the first of which is "HR Cross". I'm sure other companies in the industry have mentioned this, but the "HR Cross" that we implement was originally developed in order to conduct education by a company funded mainly by industry group board members.

In order to reduce the burden on customers and dispatchers in this new era, we aimed to create a solid contract management and skills management system and make its infrastructure for our manufacturing human resource services. We have been developing the system since the beginning of this year, and have been trying it out since April. Finally, since this past October, we have moved to the stage of actually using the system at several companies, mainly major manufacturers.

The main reason I am explaining this is not that we will make a large profit here. The very reason for this is that a law that stipulates "equal pay for equal work," which includes small and medium-sized companies, came into effect in April of this year. This is based on the government's idea that people with the same abilities should be treated the same.

As we have been saying for some time, one of our key differentiators and a major engine of growth is to provide our clients with human resources of a higher quality than other companies in our industry. By introducing this system mainly to major manufacturers, we can, to put it bluntly, measure the abilities of 500 dispatched staff of that manufacturer by the same yardstick. For us, this will be a point that will greatly boost our profit in the future, and we are working on this kind of thing.

The second, the 'apseeds portal,' has been introduced and is now in operation as a tool for more efficient and successful communication between our staff and the site supervisors who manage them.

Engineering Area (Financial Results)



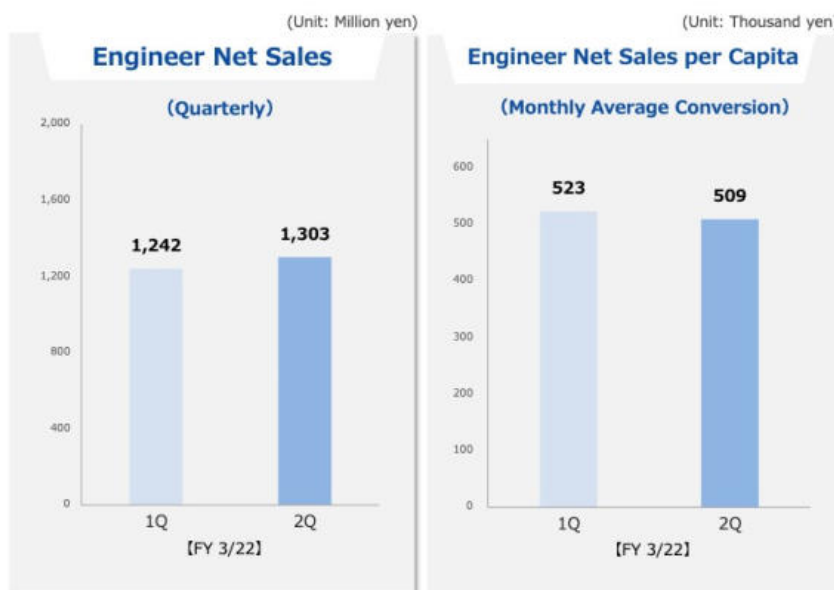
Engineering Area (Financial Results)

Net sales

Net sales in 2Q increased by 61 million yen (4.9%) compared to 1Q, partly due to an increase in the number of enrolled staff. Achieved a 62.1% progress rate in line with the target for the current FY.

Net sales per capita

- Decreased by 14,000 yen compared to 1Q due to the number of working days as a result of summer vacation.
- Net sales per capita of engineers were 509 thousand yen/month, which was higher than that of skilled staff (464 thousand yen/month).



These are the trends in our engineering area. Although it is a little disappointing, net sales per capita has dropped a little due to the increase in the number of beginners in the engineering area. However, they will receive unit costs according to their skills while working, and this will also increase in the medium term, so please look at this trend in the same way as the existing business I mentioned earlier.

I would like to talk a little bit about the average number of enrolled engineers for this fiscal year. Initially, we placed a figure of just under 700 people in operation, and as I explained earlier, we have already exceeded that figure. We are also planning to increase these numbers in the third year, so we would like to aim to expand our scale and increase revenue as early as possible.

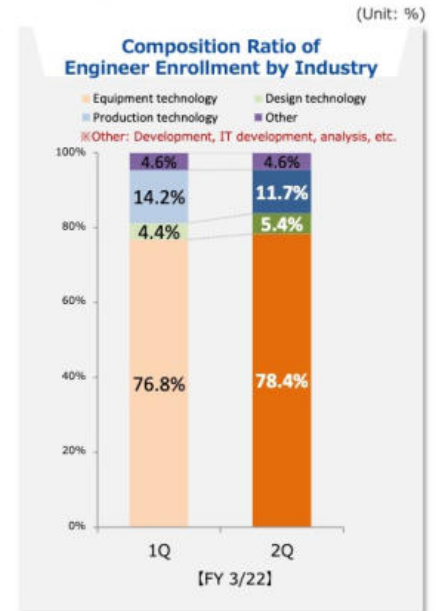
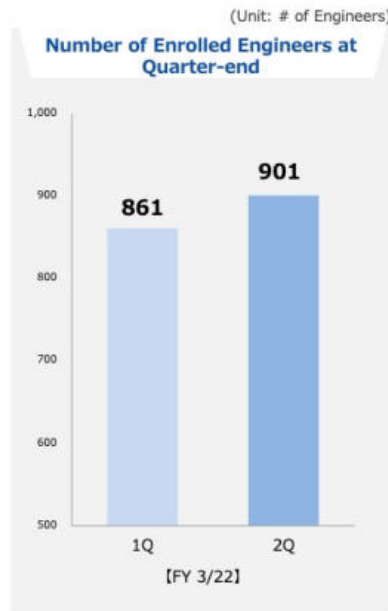
Engineering Area: Number of Enrolled Engineers

Enrolled Engineers at Quarter-end

- The number of enrolled engineers increased by 40 from the end of 1Q.
- With the aim of expanding enrollment, NISSO is utilizing the use of our own recruitment site "engineer works" specializing in engineers which was launched in August, and promoting the reassignment of manufacturing human resources to engineers.

Engineer Industry Classification

Among engineer enrollment by industry, the highest number of engineers are engaged in equipment technology. NISSO will continue to focus on expanding this field, which has a high affinity with the manufacturing field.



I would like to talk next about the enrollment of engineers and the kind of engineers they are. As I mentioned earlier, we are a newcomer in the engineering area. Since we are particularly strong in manufacturing, our 'volume zone' is with equipment engineers.

In the medium term, we will expand our business by focusing on equipment maintenance workers and production engineers who are close to manufacturing. At the same time, rather than hiring and dispatching new staff with immediate ability, we will expand our business by developing IT and engineering staff.

AI Solution Services

Full-scale launch of AI Solution Services with the aim of solving problems faced by manufacturers.

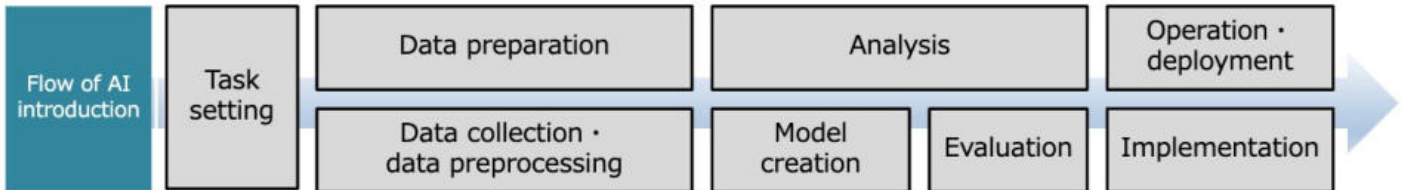
Utilization of AI to solve problems

NISSO has launched a solution service that utilizes AI with the aim of solving problems such as operational efficiency and labor saving.

For the introduction of AI, NISSO provides consulting, creation of AI models to solve problems, software development to implement AI models, and implementation.

NISSO will continue to expand our services in collaboration with Cross Compass, our capital alliance partner.

Flow of AI solution introduction



This page is about our AI solution services. Last September, we concluded a capital and business alliance with an AI company. Since the previous fiscal year, we have been working on the 'Flow of AI Solution Introduction', and we are currently in the process of building a prototype model with three of our major clients.

As you all know, since there is a chronic labor shortage at manufacturing sites, so we are currently building this business on the premise that the implementation of AI in actual manufacturing equipment to automate or derive optimal processing conditions will become a full-scale business in Japan in the future.

Turnover Rates (Existing & Engineering Areas)

Turnover Rates (Existing · Engineering Areas)



FY 3/2022 2Q Results

Existing area (non-consolidated) turnover rate
3.8%

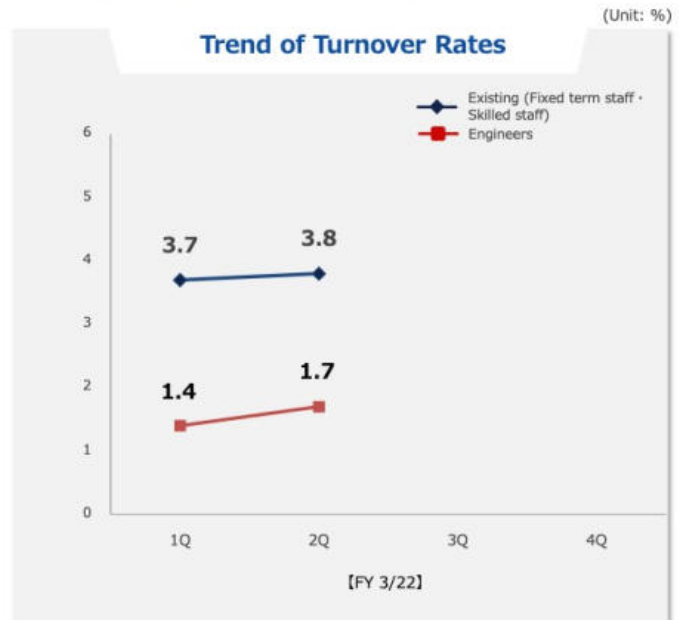
(Increase of 0.1 pts vs. FY 3/2022 1Q)

Engineering area (non-consolidated) turnover rate
1.7%

(Increase of 0.3 pts vs. FY 3/2022 1Q)

Point

Compared to 1Q, the existing turnover rate increased by 0.1 pts as the number of enrolled staff increased, but remained below 4%. Although the turnover rate of engineers also increased, by 0.3 pts from 1Q, it remained below 2.0%.



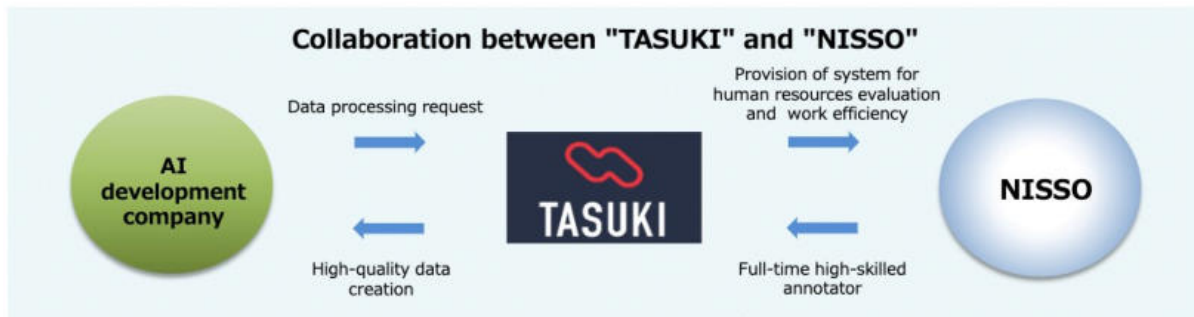
This page shows the engineering area which has been cut out from the turnover rates that were mentioned earlier. In the area where the turnover rate is increasing, we are following up by providing additional training. However, there are a few people who find it difficult to keep up with the process of learning the new technology.

Basically, we would like to continue to reduce the turnover rate while devising curriculums and improving communication, and we would like to continue to reduce the turnover rate of engineers and expand their numbers.

New Business Areas

Started annotation business in collaboration with "TASUKI" project

NISSO started the annotation business in collaboration with the "TASUKI" project operated by SB Innoventure Corp. (Head office: Minato-ku, Tokyo; Representative Director: Fumihiro Aono).



What is the "TASUKI" Project?

- ① Annotation agency service created from the in-house entrepreneur system based on the abundant AI development experience of SoftBank Corp.
- ② "TASUKI" is an annotation platform that has built a mechanism to create efficient and high-quality using AI technology

This page is about the start of our new annotation business. In order to expand our business in the IT field, it may be described as a level prior to that of software engineers, but we are going to create an annotation business with a scheme as shown in the slide.

While SB Innoventure Corp., a venture company of the Softbank Group, will be at the core of this project, we will also join the consortium to experience the work and improve our ability to develop software. Some of the people who experience this will go on to the engineering area that I mentioned earlier.

Since the annotation work will be for IT and other infrastructure, I hope you can see that through this kind of work we will also expand our new businesses and develop engineers.

Other Business / Business Revenue

Points

- The number of residents of Bldgs. 1~5 and 6, which are nursing care facilities, was stable, with an overall occupancy rate of 95%.
- Efficient management was maintained, with an operating profit of 20 million yen.

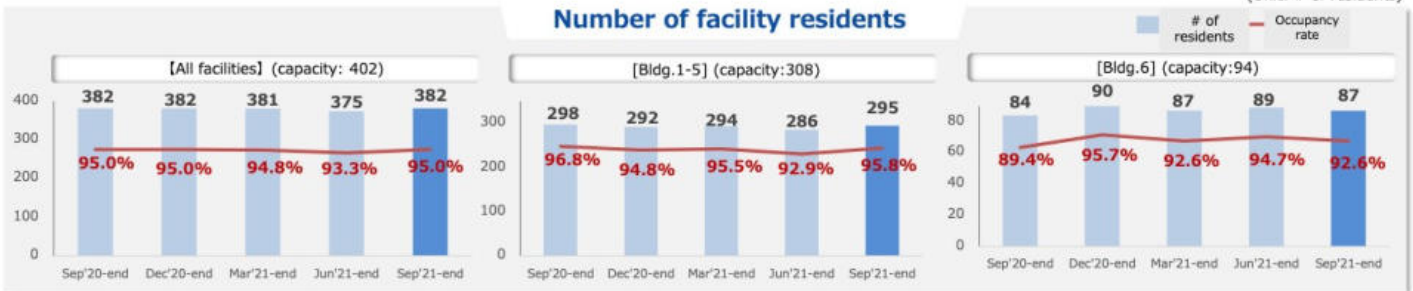
● Results of Other Businesses

(Unit: Million yen)

	FY 3/21 2Q		FY 3/22 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	1,461	100.0%	1,494	100.0%	32	2.2%
Expenses	1,500	102.7%	1,473	98.6%	(27)	(1.8%)
Operating profit (loss)	(39)	(2.7%)	20	1.4%	59	—

Number of facility residents

(Unit: # of residents)



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Please refer to the business revenue of Other Businesses. 'Other Businesses' refer to the nursing care business. The profit for the second quarter was 2 million yen compared to 18 million yen for the first quarter. However, I think the biggest reason is that there are some issues with the occupancy rate of Bldg. 6.

In our case, we operate nursing care facilities in Bldgs. 1~ 6, and since Bldgs. 5 and 6 are medical care facilities, unfortunately, there was a large number of people who have passed away. Since the summer was hot this year, if someone passed away immediately after moving in, we actually have to return the lump-sum move-in payment, so you can see the impact of this in the second quarter.

Since we have gotten rid of the deficit structure that caused us concern, we would like to continue this business while increasing profitability in the future.

Summary (Progress of Net Sales Targets by Target Segment)

Summary (Progress of Net Sales Targets by Target Segment)



(Unit: Million yen)



	FY 3/22 Management Target Value (Consolidated)			FY 3/22 Existing Areas			FY 3/22 Engineering Area			FY 3/22 New Businesses			FY 3/22 Other Businesses		
	Full-year Target	2Q Results	Progress rate	Full-year Target	2Q Results	Progress rate	Full-year Target	2Q Results	Progress rate	Full-year Target	2Q Results	Progress rate	Full-year Target	2Q Results	Progress rate
Net sales	76,000	36,694	48.3%	68,400	32,654	47.7%	4,100	2,545	62.1%	500	0	0%	3,000	1,494	49.8%

※The above full-year targets do not reflect revisions to Consolidated Forecasts.

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This is the progress of the net sales targets by target segment. As I mentioned earlier, the area that is making the fastest progress against the plan made at the beginning of the fiscal year is the engineering area. Progress in the existing areas may look slow, but as explained earlier, since we have increased the number of enrolled staff sufficiently ahead of schedule, once the manufacturing sites return to normal, we will be able to make progress in this area ahead of schedule.

As for new businesses, since we are preparing for it through JVs and other means, although the progress rate is at zero percent at the moment, we have already created a prototype model, and will be recording net sales and raising profits from now on. Therefore we are aware that there are no major problems.

FY 3/2022 Revision of Full-year Consolidated Forecasts

Revisions of Consolidated Forecast

■ FY 3/2022 Full-year Consolidated Forecast (April 1, 2021 ~ March 31, 2022)

(Unit: Million yen)

Based on recent business performance trends, NISSO has revised the Full-year Consolidated Forecast for FY 3/2022 (April 1, 2021 ~ March 31, 2022) which was announced on May 12, 2021.

For details, please refer to the "Notice of Revisions of Full-year Consolidated Forecast for the Fiscal Year Ending March 31, 2022" announced on November 8, 2021.

※The addition of Vector Shinwa Co., Ltd., which became a subsidiary on August 31, 2021, is taken into account in this revised forecast.

	Previous Forecast		Present Revised Forecast		Change from Previous Forecast	
	Forecast	% of Total	Forecast	% of Total	Increase (Decrease)	% Change
Net sales	76,000	100.0%	78,000	100.0%	2,000	2.6%
Operating profit	3,000	3.9%	2,400	3.1%	(600)	(20.0%)
Ordinary profit	3,000	3.9%	2,600	3.3%	(400)	(13.3%)
Profit attributable to owners of parent	2,000	2.6%	1,750	2.2%	(250)	(12.5%)

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As for the revision of the full-year consolidated forecasts for the fiscal year ending March 2022, we caused a great concern to all of you by saying, "There may be an increase in revenue and a decrease in profit for such a plan." It may have been very difficult to understand why this happened, but as I mentioned earlier, we are aware that the operating hours per person is short, and we are promoting the assignment of people mainly through the accounts of major automobiles manufacturers.

This will finally lead us to a situation where we can start to see results from December onwards. Unfortunately, operating profit will be down 600 million yen from the original plan. However, as previously mentioned, we will have to wait until the end of the fiscal year, since it is very difficult for us to predict how the COVID-19 pandemic will be resolved after February.

If we were to post these figures at the level of what we were told in December and January, the results would be different, but considering the COVID-19 situation, which is very difficult to understand, we have posted an adjustment to the operating profit with a -600 million yen, a 20% decrease.

Basically, we will continue to make investments according to our clients needs, and even if we do not reach the 3 billion yen mark this fiscal year after making upward revisions, we will continue to raise the top line based on the expectation that we will be able to fully recover the amount from the next fiscal year.

Shareholder Return Policy

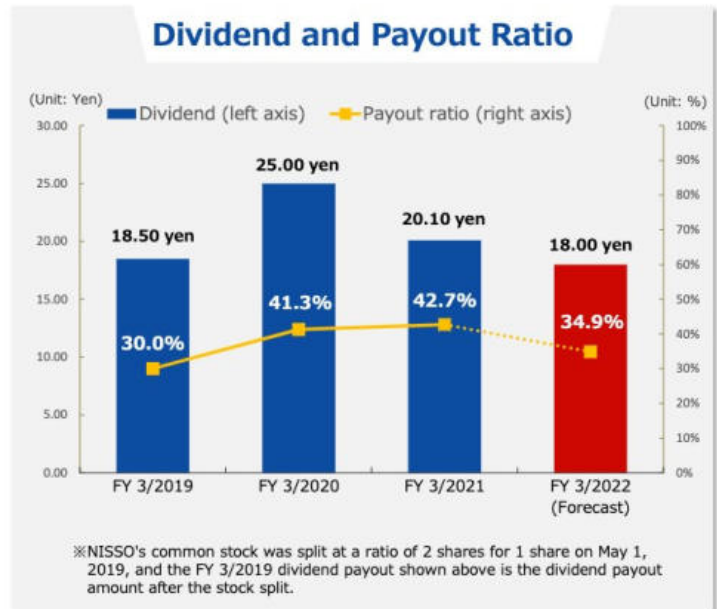
Basic Policy

NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues. 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 our shareholders.

FY 3/2022 Dividend Forecast

Although NISSO has revised the earnings forecast, the dividends per share forecast (18.00 yen) remains unchanged.

This will result in a dividend payout ratio of 34.9%.



Regarding our view of the return policy to our shareholders, we would like to maintain the dividend of 18 yen to reflect our initial profits. As far as we are concerned, our recruitment and training activities have been going better than planned.

However, although we have had some problems in the supply chain, some problems in logistics, and unfortunately, since operations have not gone as expected, we expect to make up for this in the medium term. However, since we expect to achieve more favorable results, we would like to keep the current dividend unchanged.

This is a bit of a long explanation, but I would like to conclude my presentation. Thank you very much for your attention.