



NISSO CORPORATION: Although revenue increased and profits decreased in 3Q, with an increase in the number of enrolled staff, recovery production was not possible due to parts supply shortages in the automobiles-related business.

NISSO CORPORATION First Nine Months of FY 3/2022 Financial Results #0/2

NISSO CORPORATION

6569 · First Section of the Tokyo Stock Exchange · Services

This is a transcript of the financial results briefing for the third quarter of the fiscal year ending March 31, 2022 held on February 10, 2022, by NISSO CORPORATION.

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

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

First Nine Months of FY 3/2022 Financial Results

Ryuichi Shimizu: Hello, everyone. Thank you very much for coming today despite the bad weather. I would also like to thank those of you who are listening to the webcast for taking time out of your busy schedules to join us.

Now, please let me take this opportunity to provide some explanation. Because of the complexity of the various factors involved, I would like to first give an overall explanation before going into the details of the explanation of the financial results, and then go into the individual explanations.

FY 3/2022 3Q (Non-consolidated) Factors behind the increase in revenue and decrease in profits (Supplement)

FY 3/2022 3Q (Non-consolidated) Factors behind the increase in revenue and decrease in profits (Supplement)

[Increase in the number of enrolled staff]



Compared to the corresponding period of the previous fiscal year, the number of enrolled staff overall increased by 2,023, and net sales increased due to increases in enrollment and unit costs. Of these, the number of staff in the automobiles-related industry increased by 870, accounting for 43% of the overall increase.

[Automobiles-related industry: decrease in operations due to shortages of semiconductor and parts supplies]



Since September, the number of working days, overtime and holiday work per capita (monthly average) has decreased compared to the corresponding period of the previous fiscal year due to shortages of semiconductor and parts supplies in the automobiles-related industry. Assuming that net sales per capita in the particularly affected months were at the same level YoY, it is estimated that net sales increased by about 1 billion yen and profits by about 400-450 million yen.

[Increase in SG&A expenses]

(Unit: Million yen)

	FY 3/2021 3Q	FY 3/2022 3Q	Increase (Decrease)
Recruitment-related expenses	405	1,277	871
Dormitory-related expenses	708	801	93

Recruitment-related expenses were lower than normal due to the effects of COVID-19 in the previous fiscal year, and in addition, investment in recruitment was expanded in the current fiscal year. Also, dormitory-related expenses increased due to an increase in the number of enrolled staff.

[Summary]

- The number of enrolled staff increased more than originally planned
- In the automobiles-related industry, operations decreased due to the effects of shortages of semiconductor and parts supplies, and the gross profit margin declined
- SG&A expenses increased due to increased investment in recruitment
- Dormitory-related expenses increased due to increased staff
- Human resources needs remain high
- Continued increase in staff for recovery production in the automobiles-related industry
- Demand for semiconductors was strong, and the number of staff continued to increase

[Forecasts for the next fiscal year]

- The number of enrolled staff will start higher than expected in the Medium-term Management Plan
- In the first half of the fiscal year, in addition to normal operations in the automobiles-related industry, NISSO expects high operations with the addition of recovery production
- Net sales and gross profit will recover as net sales per capita start to recover
- Operations in the automobiles-related industry are expected to be high throughout the full-year, as operations in the second half will be higher than in the first half



Possible to recover investments of this fiscal year and next fiscal year

This time around, revenues increased, and profits decreased. One of the reasons for this is that we have increased the number of enrolled staff, particularly at automobiles manufacturers, to recover production. Despite the impact of COVID-19, the number of staff has increased by 2,023 over the past year compared to the end of December the previous year. Considering the past, we can say that the increase of 2,023 enrolled staff in one year is quite fast.

Of these, we added 870 enrolled staff in the automobiles-related area. Of these 870 enrolled staff, more than 70%, or 623, have been added to the account group of major automobiles manufacturers of NISSO, which demonstrates our commitment to recovering production in the automobiles-related area.

This increase in enrollment led to increased revenue, and another factor was an increase in unit-costs. The growth in so-called order unit-costs have been achieved through negotiations, and these two factors have contributed significantly to the increase in revenue.

As of the end of the third quarter, the current number of enrolled staff was 14,715, and this year's budget for existing businesses was based on the premise that 14,000 staff would amount to net sales of 4.9 million yen per capita per year. As the number of staff continues to exceed this figure by a large margin, although we have not been able to generate revenue for various reasons, please understand that there is an increase in revenue.

Next, I'd like to explain some points about the decline in profits. One factor contributing to the decrease in profits was the automobiles-related industry. Although the number of enrolled staff has been increasing, there was a shortage of semiconductor supplies, and when the Delta variant, which was said to have been the fifth wave last summer, expanded, there were shortages of parts, mainly wire harnesses, due to lockdowns in Southeast Asia, and the effects were substantial in September and October.

In addition, regarding trends in overtime and holiday work hours, since other days that should have been in operation in September and October were given as days off, there was a significant drop in net sales per capita. The graph on the bottom left shows what this would have been like under normal operation. On the left are the net sales results, and on the right is estimated net sales assuming normal operation. Simulation data shows that net sales in September and October were 1 billion yen and profits were 400 million to 450 million yen.

In September and October, the number of staff was increased mainly by automobiles manufacturers. However, since it would be meaningless for them to leave the company because of the lack of working days or overtime right after joining the company, they were paid compensation for their absence from work. This led to a compression of profits of about 150 million yen over the two months of September and October.

As for the second factor, the increase in expenses was attributable to the increase of 871 million yen in SG&A expenses related to recruitment compared to the previous year. Recruitment expenses for staff working on-site accounted for a considerable share. This was an increase of 637 million yen. Moreover, the cost to strengthen the promotion of our website was about 180 million yen.

In addition, the cost of recruiting staff, mainly engineers, was 56 million yen, and about 60 million yen of expenses increased. Moreover, since we have increased the number of enrolled staff, the costs associated with dormitories have increased significantly compared to the previous fiscal year. Furthermore, the compensation for absence from work that I stated earlier, and the various company-entrance benefits to attract staff were the main reasons for the increase in costs.

In summary, as I explained earlier, the number of enrolled staff has increased more than initially planned. On the other hand, operating capacity has been reduced in the automobiles-related industry due to an insufficient supply of semiconductors and parts, resulting in lower gross profits. Even under these circumstances, we are actively investing in recruitment, increasing SG&A expenses. As I will explain in more detail later, the speed of the increase in staff is so fast that dormitory-related and education-related expenses are ahead of schedule, and investment is growing.

However, we recognize that the need for human resources will continue to be high in the future, and based on this situation, we will actively invest for the next fiscal year and beyond.

With regards to the automobiles-related industry, we are aware that parts shortages, including that of semiconductors, will be eliminated, and recovery production will continue. Therefore, it can be said that we are looking forward to the recovery of this upfront investment from the next fiscal year onwards. In addition, demand for semiconductors, including semiconductor devices, is extremely strong.

The assumption for the next fiscal year is that we will be able to start at a very high level of enrollment by investing actively in recruitment. In addition to normal operations of the automobiles-related industry, recovery production is clear especially in the first half of the year, so high operating rates can be expected. As a result, we expect net sales per capita to recover, net sales to grow further, and gross profits to recover. In addition, demand for automobiles is more robust in the second half of the fiscal year than in the first half, so we expect to see very high operating rates throughout the next fiscal year.

I will now provide an explanation about our issues for the next fiscal year and beyond. First of all, although this is a distinctive characteristic and positive aspect of NISSO, the fact that we have a very high market share among automobiles manufacturers, especially auto-body manufacturers, poses a risk in this situation. I would like to explain a few things in detail that we would actively invest in while avoiding such a risk.

The first is the problem of a supply shortage of lithium-ion batteries for the coming era of EVs. NISSO is also doing business in Japan with a manufacturer of lithium-ion batteries for automobiles, and a large-scale investment project will start in the next fiscal year.

We have entered negotiations with two new factories of considerable scale, and we would like to focus on expanding these lithium-ion batteries in light of the fact that there will be a chronic shortage in the future.

Secondly, although this may be in the medium term rather than the long term, demand for semiconductors is not expected to decline over the next two years. In particular, there are significant needs for system engineers for semiconductor maintenance, one of our strengths, at semiconductor equipment manufacturers and new semiconductor factories. Therefore, we intend to actively increase this number. With regards to semiconductor manufacturers in particular, we will assign personnel to high-value-added areas where other companies have difficulty responding to the needs of strong domestic semiconductor manufacturers.

The third is the Kumamoto Project, which you all are aware of. Although this will be about two years from now, we will prepare for this thoroughly and actively invest in this in order to expand it to semiconductor manufacturers in Kumamoto and the surrounding areas.

Finally, we also keenly felt that engineers are vital in the shortage in the procurement of semiconductors and parts. Therefore, as I will explain later in the engineering area, we will expand it even more aggressively.

NISSO's stance for the next fiscal year and beyond is to diversify risks using such methods. Although we have been actively investing in these areas in the past, we intend to make further investments in the next fiscal year to expand these areas.

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

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

Net sales

Net sales increased by 14.0%, partly due to increases in enrollment and unit-costs.

Expenses · Profits

- SG&A expenses increased due to proactive investment in recruitment.
- In the automobiles-related industry, the impact of the decrease in operations (number of working days, overtime hours, holiday work, etc.) due to the effects of shortages of semiconductor

Subsidy Income

- FY 3/2021 3Q: 287 Million yen
- FY 3/2022 3Q: 84 Million yen

(Unit: Million yen)

	FY 3/21 3Q		FY 3/22 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	46,191	100.0%	52,668	100.0%	6,476	14.0%
Gross profit	8,028	17.4%	9,048	17.2%	1,019	12.7%
SG&A expenses	6,309	13.7%	7,618	14.5%	1,309	20.7%
Operating profit	1,718	3.7%	1,429	2.7%	(289)	(16.8%)
Ordinary profit	1,962	4.2%	1,528	2.9%	(434)	(22.1%)
Profit	1,263	2.7%	989	1.9%	(274)	(21.7%)

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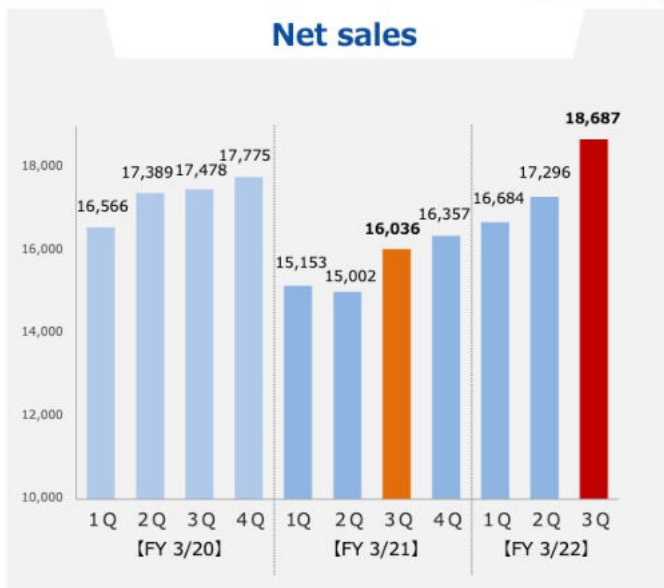
I have just explained the outline of the financial results, so I will omit it at this time. As a supplement, employment adjustment subsidies are decreasing, as shown on the bottom left of the slide. Also, although we are experiencing suspension of operations due to parts shortages, it can be said that there was more operation than in the previous year.

FY 3/2022 Quarterly Non-consolidated Financial Results

FY 3/2022 Quarterly Non-consolidated Financial Results

(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



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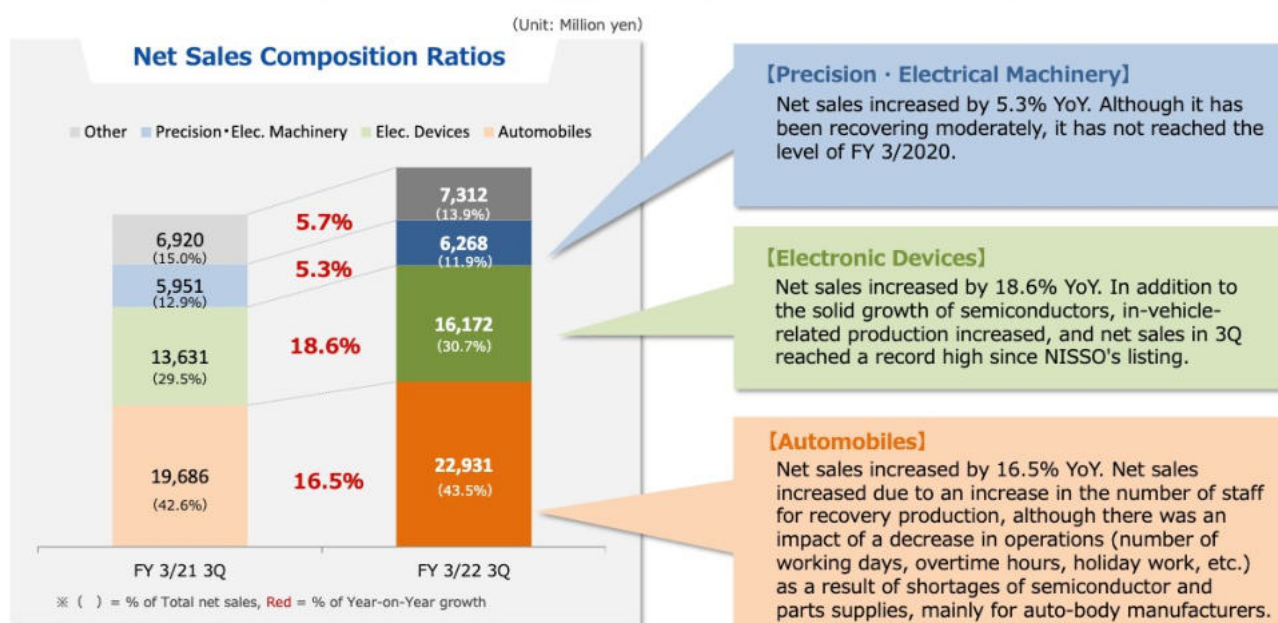
As you can see from these graphs, net sales are steadily increasing despite the low operating rate due to an increase in the number of enrolled staff, which is considered to be our top line. Therefore, although profits were steady until the first quarter, from the second quarter onwards, our account companies also experienced production adjustments in August due to semiconductor shortages, which affected their profits.

As I mentioned earlier, in September of the second quarter, when profits are normally generated, the operating rate dropped due to a shortage of parts and the problem of compensation for absence from work, which caused a significant drop in profits. In the third quarter, although this was the case until October, it improved in December. Although December was also strong last year, if you look at December alone, the operating rates were higher than in the previous year.

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

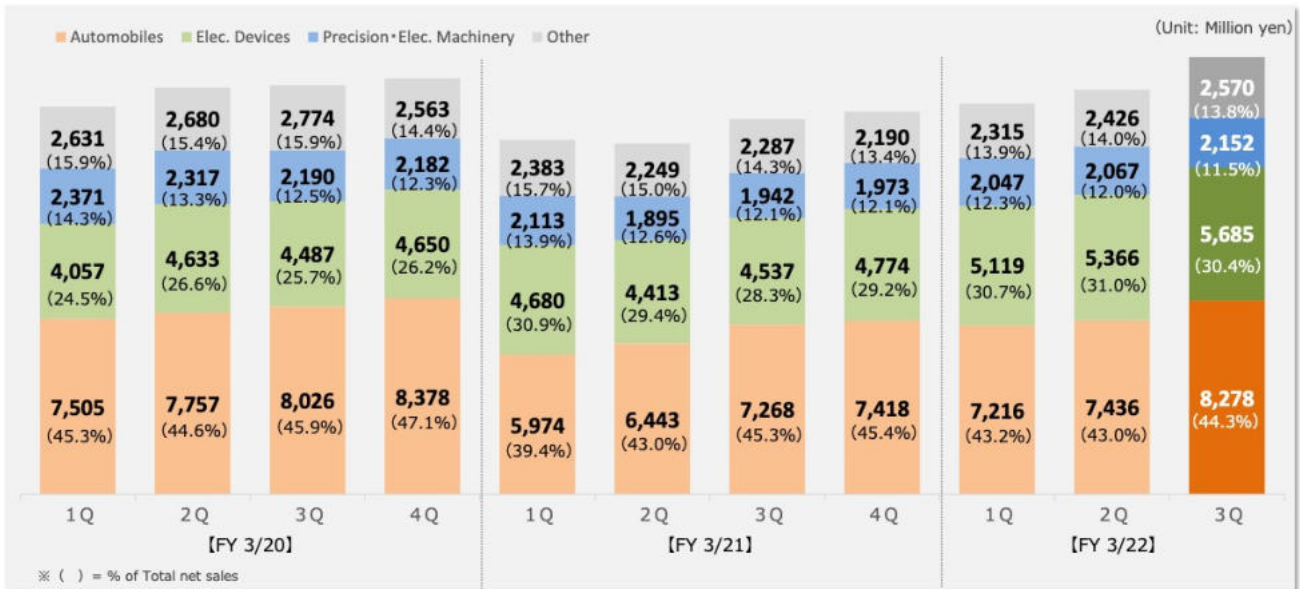


FY 3/2022 3Q Net Sales by Industry (NISSO, Non-consolidated)



As shown in the graph, the electronic devices and automobiles areas are steadily expanding. Our multifunction machine account company is included in the "Precision / Electrical Machinery" category, and although it has been recovering moderately, it has not reached the level of FY 3/2020.

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



As you can see from the slide, net sales in the electronic components field are at an all-time high and will continue to grow hereafter. Unfortunately, although we have not been able to surpass the figures for the fourth quarter of FY 3/2020, the number of enrolled staff, which is our top line, has been exceeded, and we expect this automobiles area to continue to reach new highs once operations return to normal.

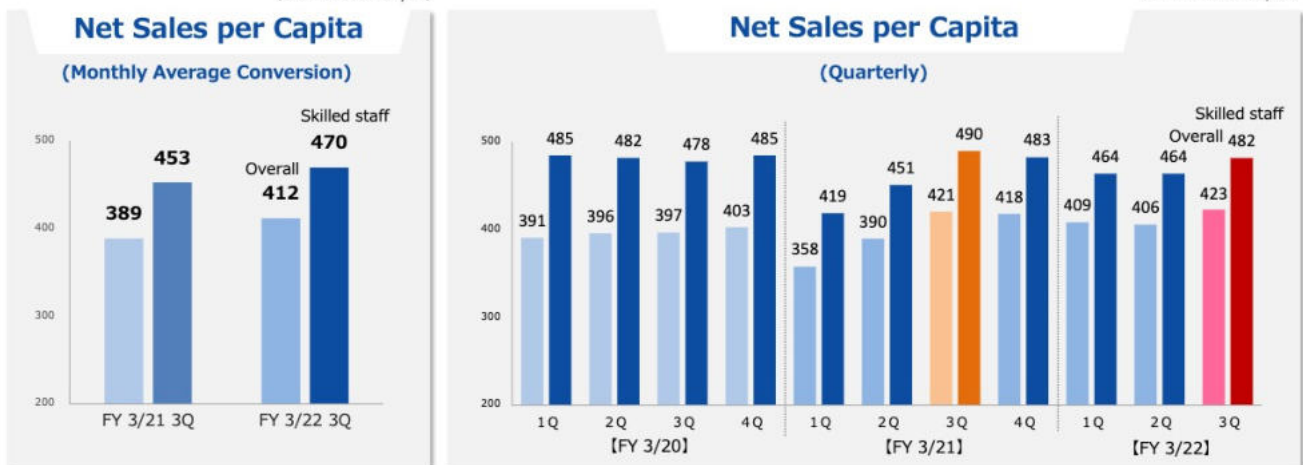
Net Sales per Capita (NISSO, Non-consolidated)

Net Sales per Capita (NISSO, Non-consolidated)

- FY 3/2022 3Q YTD <Overall net sales per capita> 412 Thousand yen (+24 Thousand yen YoY)
<Skilled staff net sales per capita> 470 Thousand yen (+17 Thousand yen YoY)
- Overall and skilled staff net sales per capita increased YoY. Although billing unit-costs rose and increased, the effect of the decrease in operations due to shortages of semiconductor and parts supplies in the automobiles-related industry continued.

(Unit: Thousand yen)

(Unit: Thousand yen)



This slide details our net sales per capita. The basic basis for net sales per capita is the unit-costs of the order received and how many hours our staff work per month, that is, the formula of "unit-costs" multiplied by "working hours."

Although the hourly unit-costs up to December show a slight fluctuation since it is a simple average, unit-costs have increased by about 60 to 70 yen compared to the previous year. On the other hand, unfortunately, the impact of overtime and the number of working days was seen in August and September of the second quarter, especially in September and October of the third quarter, as I reported earlier. Therefore, even though unit-costs have increased compared to the the level of the year prior to the previous fiscal year, it has not yet reached that level. However, since unit-costs will naturally increase in the future, if operations return to its original state, it will exceed the past levels significantly.

At present, particularly in business negotiations with automobiles and electronic components manufacturers, there is talk of raising unit-costs significantly from the beginning of this year or in the new fiscal year. This is because we can encourage people to join our company by improving their treatment (salary), and it is also a part of our retention measures to prevent staff who have enhanced their skills from leaving our company. Therefore, it is thought that unit-costs will increase further toward the next fiscal year.

Number of Enrolled Staff (NISSO, Non-consolidated)

Number of Enrolled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Compared w. Previous FY-end

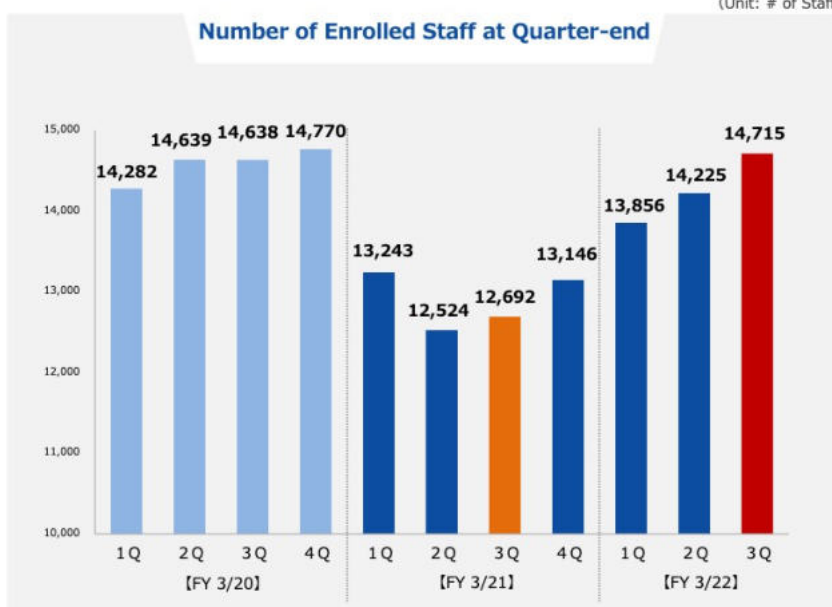
+1,569 staff (+11.9%)

Point①

Human resources needs continue to be strong. In addition, the number of enrolled staff increased steadily due to the suppression of staff resigning from NISSO.

Point②

In addition to the increase in staff due to recovery production in the automobiles-related industry and strong semiconductor demand, human resources needs also expanded in other industries.



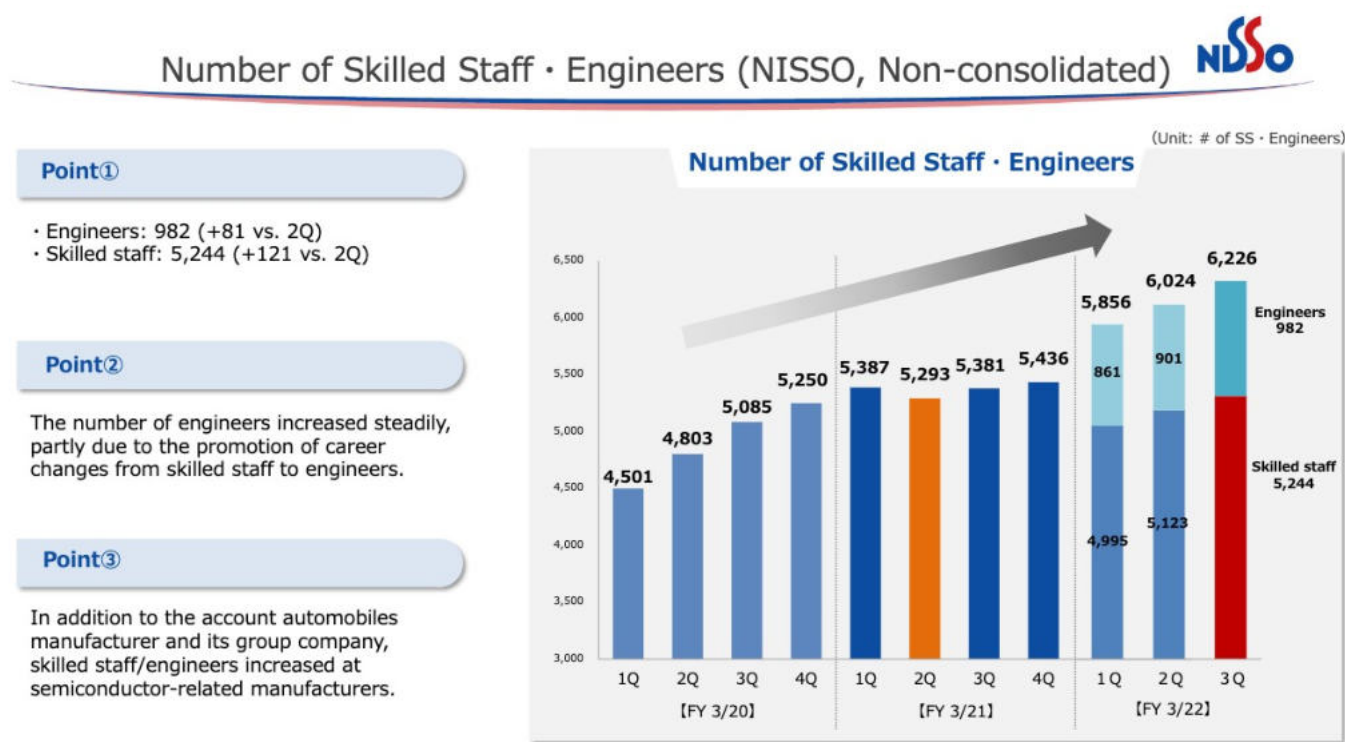
This page is about the top line I've been talking about, or the number of our enrolled staff. The number of enrolled staff increased by 1,569 from the end of the previous fiscal year, and increased by

710 in the first quarter from the end of the previous fiscal year. In the second quarter, the number increased slightly by 369, but in the third quarter, the number increased by 490, totaling 1,569.

Primarily, if the operating rate of work was higher, it would be easier to increase the number of staff, but even among them, we have already increased the number of staff by nearly 500. As the current situation continues in the fourth quarter, please understand that next year will continue to rise from the starting point.

In the automobiles account group, in particular, the number of enrolled staff increased by 623 over the previous year. In addition, the account company for multilayer capacitors for electronic components have finally recovered to reach our highest net sales ever, reaching 251 staff compared to the previous year.

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



Next is the trend of skilled staff and engineers. There were 982 engineers, up 81 from the second quarter, and 5,244 skilled staff, up 121 from the second quarter.

When asked what kind of rationale we are planning for net sales in the engineering area this fiscal year, at present, NISSO is producing net sales of 500,000 yen or more per month per engineer, and simply multiplying such a figure by 12 results in 6 million yen.

Therefore, we planned net sales based on the rationale of "6 million yen x 680 engineers". However, since there were already 982 engineers in 3Q, we plan to record net sales based on the average

enrollment of about 1,250 in the next fiscal year. We believe that this is also progressing very smoothly.

However, one of the “ active investments” I mentioned earlier that we would like to conduct is the active promotion of career changes from skilled staff to engineers, as shown on the slide. In doing so, since we will be conducting training for more than one month instead of the conventional two weeks, it would be appreciated if you could understand that the upfront investment for the training costs would increase.

Account Companies (NISSO, Non-consolidated)

Account Companies (NISSO, Non-consolidated)



Point①

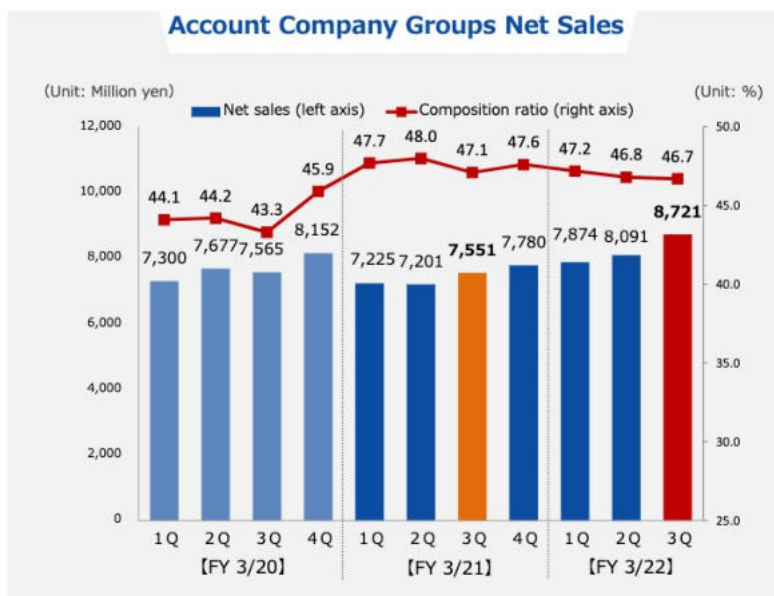
Net sales of Account Company Groups in 3Q increased by 15.5% YoY. Cumulative 3Q net sales increased by 12.3% YoY.

Point②

Net sales in 3Q reached a record high since NISSO's listing. Production recovered since November in the automobiles-related corporate group. In addition, net sales increased due to an increase in enrollment as a result of an increase in the number of staff for recovery production.

Point③

The ratio of net sales of Account Companies remained flat, partly due to shortages of semiconductor and parts supplies in the automobiles-related industry.



Next, regarding account companies, net sales increased 15.5% year-on-year, and cumulative net sales increased 12.3% year-on-year. Although it would have been nice if it had been a little better, the recovery production originally planned from September did not proceed as planned due to the shortage of semiconductors and parts.

In December, of course, production started to recover, but after January, a large (COVID-19) cluster emerged at a factory that manufactures seatbelt parts in Japan, and production was not possible. This was a major factor, and we have not been able to recover production.

As we continue to increase the number of staff, we expect the automobiles area to recover sharply, considering that automobiles manufacturers were also actively engaged in recovery production in February and March.

By the way, to explain a little about the situation of the group of the major automobiles manufacturer, net sales in September and October were actually below the “100” of the previous year. However, net sales were up 23% from the previous year in November, when things returned to normal. In December, net sales were up 35% from the previous year, showing a rapid recovery.

Within this account group, although net sales were comparable to the previous September and October, in terms of the area of profits, it was 53.7% in September and 67.5% in October compared to last year. Even under such low operating conditions, although net sales increased by increasing the number of enrolled staff, there was no profit.

However, in December alone, although net sales were up 35%, profits were up 54%, and I will tell you that while production is recovering, profits will also recover rapidly in a V-shape manner.

In addition, the capacitor group’s net sales also increased by 27.8 percent in December from the previous year, while profits recovered to an increase of 43%, so profits will recover in a V-shape manner once the operating conditions are in place.

Turnover Rates (NISSO, Non-consolidated)



Turnover Rates (NISSO, Non-consolidated)

(Unit: %)

FY 3/2022 3Q Results

Overall turnover rate

3.7%

(Improvement of 0.5 pts vs. FY 3/2021)

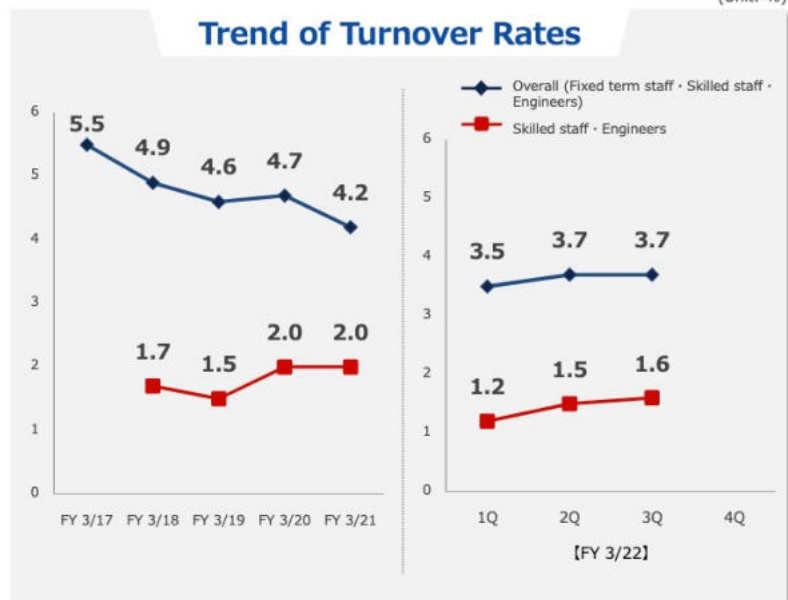
Skilled staff · Engineers turnover rate

1.6%

(Improvement of 0.4 pts vs. FY 3/2021)

Point

The overall turnover rate remained below 4%. The turnover rate of skilled staff and engineers was also maintained at less than 2%. Maintaining the turnover rates contributed to an increase in the number of enrolled staff.



Next, regarding our turnover rates, in order to increase the number of enrolled staff, it is essential to add new staff in addition to reducing our turnover rates. Originally, although our plan was to reduce the overall turnover rate to less than 4% this fiscal year, we were able to keep it around 3.7%.

In particular, net sales decreased by 1% compared to 4.7% in the year prior to the previous fiscal year when net sales grew the most. If it was 1% for 15,000 staff, it would not require 150 staff to resign per month. We recognize that having more staff with ample skills than hiring new staff is a critical factor in expanding our manpower in the future and in gaining the trust of our clients to increase our market share.

On the other hand, there is concern that the turnover rate in the skilled staff area may be slightly increasing. At present, although we are analyzing the causes, as expected, skilled staff are more likely than regular staff to take on more complicated processes which may lead to the improvement in their treatment. However, since their responsibilities become more demanding, the number of staff who cannot withstand the pressure has been increasing.

In the future, it will be necessary to review the training curriculum and increase the retention rate in a way that does not place too much burden on the individual, or to further strengthen the system of on-site care. We have also begun efforts to reduce the turnover rate of skilled staff to the 1% or so level that we originally targeted.

Educational Achievements (NISSO, Non-consolidated)

Educational Achievements (NISSO, Non-consolidated)

Point①

Total educational achievements of the main courses nearly doubled YoY.

Point②

- The number of participants who received engineer education increased by 122 YoY.
- The number of participants who received basic equipment maintenance education increased by 49 YoY.

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

(Unit: # of participants)

Training course name	3 Q (Oct - Dec)	Contents	FY 3/21 3Q
Skilled staff education	327	Standard skilled staff education	258
Basic equipment maintenance education	100	Basic equipment maintenance education	51
Engineer education	158	Manufacturing equipment maintenance · manufacturing equipment technology Mechanical design · production technology SEAJ education (safety education specializing in semiconductors)	36
Manufacturing education	1,419	MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	666
Total	2,004		1,011

This page reflects our educational achievements and our upfront investment in education. The number of participants has significantly increased in engineer education and equipment maintenance education, which are high in need. In addition, the number of participants for manufacturing education has increased by 753. Although training is an essential part of our business, since it is carried out while paying the salaries of employees, it is currently a factor in an increase in costs.

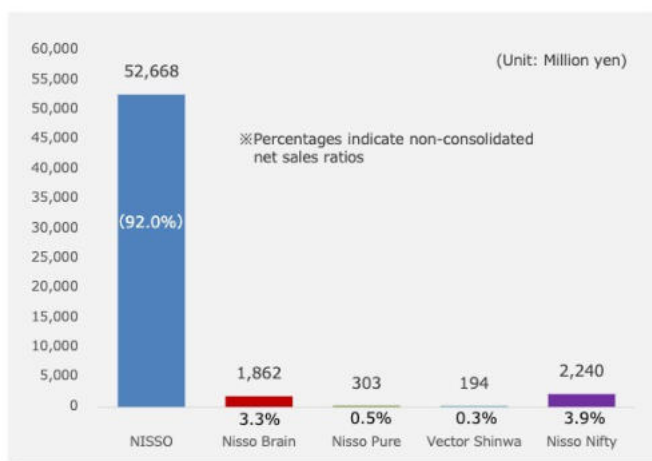
However, considering that the unit-costs of orders are particularly high in this area, those who have established themselves will gradually allow NISSO to recover our investment in them. In order to reduce the aforementioned turnover rates, we recognize that it is extremely important to thoroughly carry out manufacturing education and take measures to ensure that staff are firmly established.

Net Sales•Operating Profit Ratio by Company

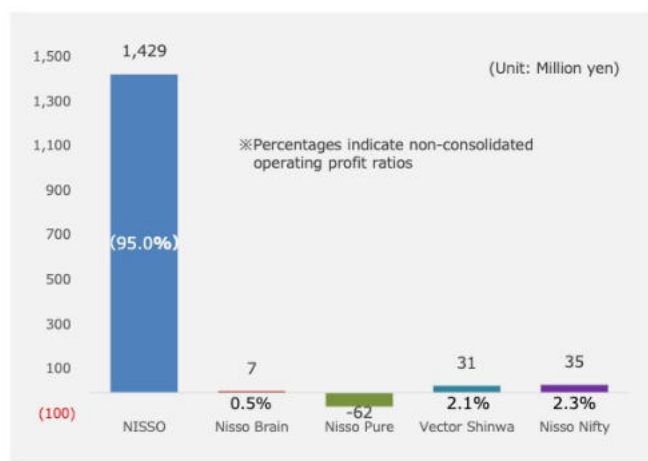


Net Sales • Operating Profit Ratio by Company

FY 3/2022 3Q
Net Sales by Company



FY 3/2022 3Q
Operating Profit by Company



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

Next, I would like to provide an explanation of the financial results by target segment. This slide shows the net sales and profits of the companies that comprise each group.

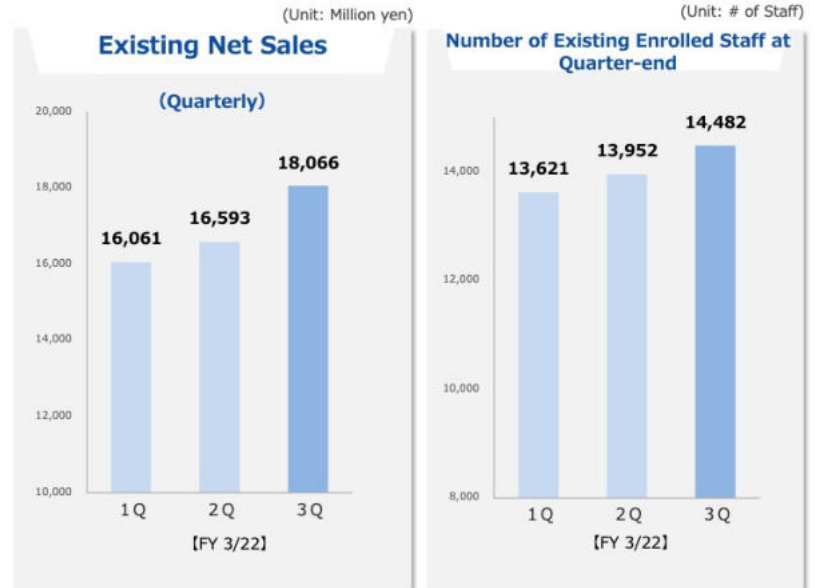
Existing Areas

Existing Net Sales

Net sales in 3Q alone increased by 8.9% compared to 2Q, partly due to an increase in the number of enrolled staff.

Existing Enrolled Staff

In addition to the increase in the number of staff due to recovery production in the automobiles-related industry, the number of enrolled staff increased by 530 compared to 2Q as a result of the acquisition of Vector Shinwa as a subsidiary. The breakdown was +409 for NISSO, +35 for Nisso Brain, and +86 for the newly added Vector Shinwa.



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For the trends of our existing areas, please refer to the trend of enrollment in particular. As I have mentioned earlier, this target segment has been doing very well. Although the number of existing enrolled staff has already exceeded 14,000, the average number of enrolled staff in existing areas that can be used as a basis for sales plans for existing businesses in the next fiscal year is 15,600.

As I mentioned earlier, 16,400 enrolled staff in FY 3/2024, the third year, is the basis for the average enrollment. By having a high launchpad for the start in April, we will make active investments in the next fiscal year with the goal of increasing the number of existing enrolled staff in this existing business as much as possible ahead of schedule.

For reference, other than NISSO, white-collar companies such as Nisso Brain, and Vector Shinwa, which has newly joined the Nisso Group, are increasing existing enrollment in this way.

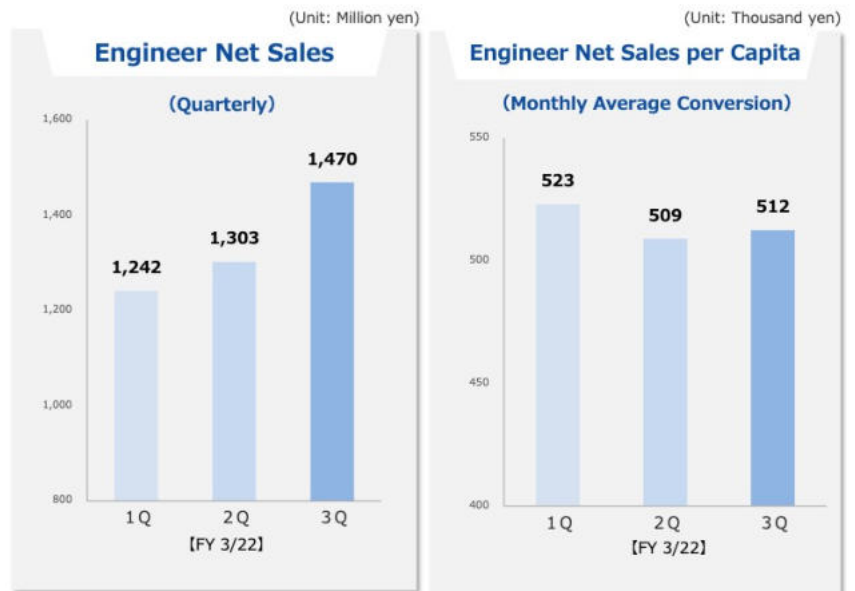
Engineering Area (Financial Results)

Net sales

- Net sales in 3Q increased by 166 million yen (12.8%) compared to 2Q.
- Compared to the target for the current FY, the progress rate was at 97.9%, which was the highest in the net sales targets by target segments.

Net sales per capita

The net sales per capita of engineers was 512 thousand yen/month, which exceeded that of skilled staff which was 470 thousand/month.



Next, I would like to provide an explanation of the engineering area which is important for risk diversification and profit expansion. As you can see on the slide, the second and third quarters of the year were slightly affected by the operating conditions discussed above, and net sales were as you can see.

In the future, it will be necessary to further increase the unit-costs of orders by refining the skills of individuals and further increasing net sales per capita. As seen on the slide, although the (net sales per capita of) 470,000 yen for skilled staff and the 512,000 yen for engineers may seem a little low, engineers are in a situation where they can aim even higher depending on their individual skill enhancements.

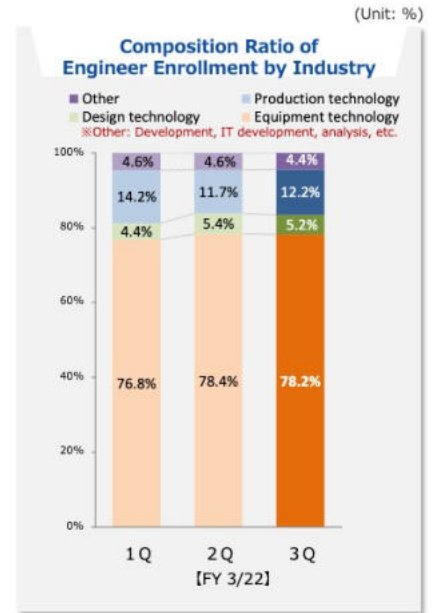
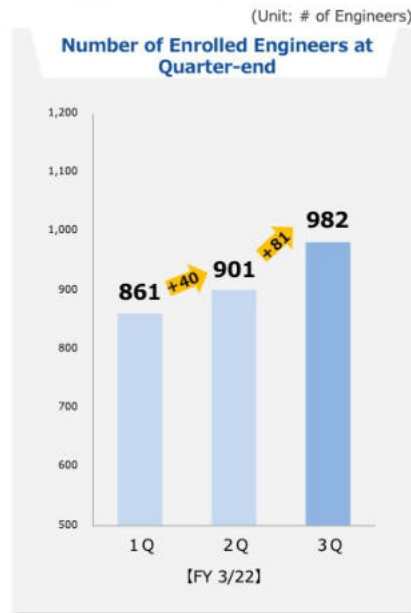
Engineering Area: Number of Enrolled Engineers

Enrolled Engineers at Quarter-end

- The number of enrolled engineers increased by 81 from the end of 2Q.
- The number of newly enrolled engineers on a quarterly basis more than doubled compared to 2Q.

Engineer Industry Classification

Among engineer enrollment by industry, NISSO continues to focus on equipment technology centered on semiconductor devices.



Next, I will like to provide an explanation on the number of enrolled engineers in the engineering area which we are particularly focusing on. As you can see in the colored graph, we are steadily expanding the scope of our activities, especially for equipment technology engineers, and gradually expanding into other IT-based areas and fields such as AI.

This business is progressing smoothly, exceeding the average enrollment of 680 engineers initially planned. Since there will be 1,250 engineers in the next fiscal year, we would like to expand this engineering area as early as possible.

We aim to have 2,500 engineers by April 2024, the final year of the current medium-term management plan, and will continue to invest firmly in the next fiscal year and the following fiscal year.

Turnover Rates (Existing•Engineering Areas)

Turnover Rates (Existing · Engineering Areas)



FY 3/2022 3Q Results

Existing area (non-consolidated) turnover rate
3.9%

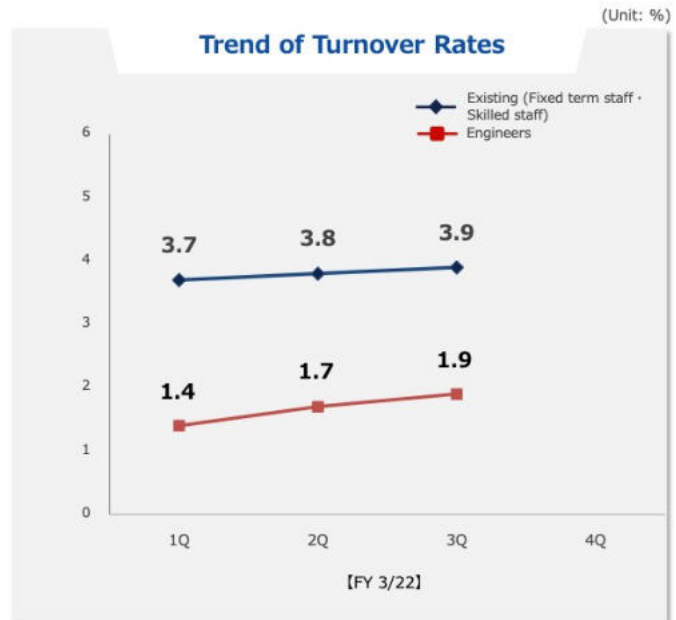
(Increase of 0.1 pts vs. FY 3/2022 2Q)

Engineering area (non-consolidated) turnover rate
1.9%

(Increase of 0.2 pts vs. FY 3/2022 2Q)

Point

The existing turnover rate remained below 4%.
 The turnover rate of engineers remained at less than 2%, increasing by 0.2 pts compared to 2Q, partly due to the increase in the number of enrolled engineers.



Although the overall and engineer turnover rates are increasing little and little, it is still at a level where it is not a problem. However, since we are investing in and nurturing them over the long term, we are taking measures to reduce the turnover rate of engineers to just over 1% by devising curriculums and fully examining the appropriateness of each individual.

Progress of AI Solution Services

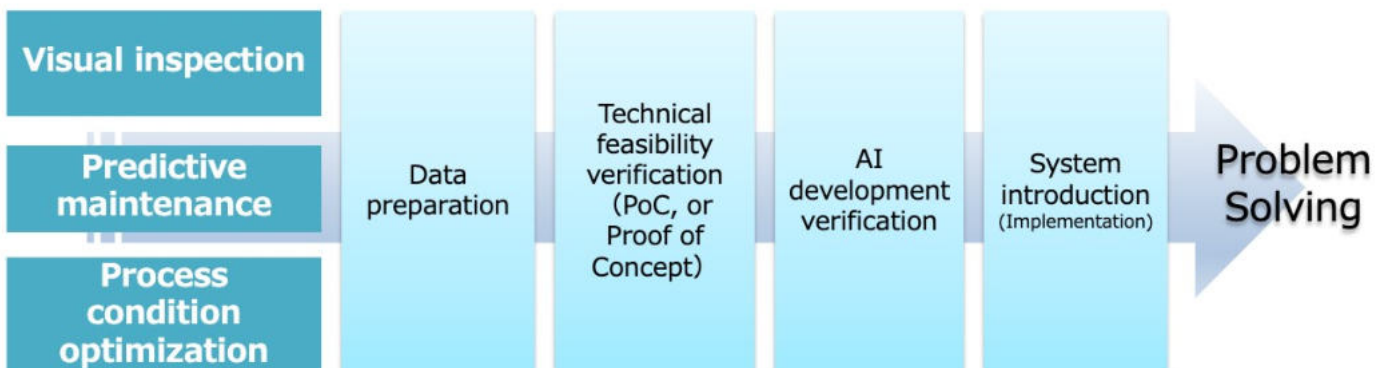


Progress of AI Solution Services

Provision of more concrete AI Solution Services with the aim of solving problems faced by manufacturers.

Utilization of AI to solve specific problems

NISSO will provide more specific AI Solution Services with the aim of solving problems such as operational efficiency and labor-saving in performing visual inspection, predictive maintenance, and process condition optimization, which are particularly high needs among issues faced by manufacturers.



This page is about the progress of our AI Solution Services which I have talked about before, which is a new business area. Although I have stated to you before that, "We will create a prototype model while negotiating with clients in various ways", the idea is to focus on the three points listed on the slide that our clients highly need.

They are described as visual inspection, predictive maintenance, and process condition optimization. While implementing AI in manufacturing equipment, visual inspection is the early detection of defective products from the appearance, especially using cameras. Predictive maintenance is to maintain the equipment in advance while anticipating the failure that may occur when defective products are produced, for example, to prevent equipment malfunctions, or since there are consumables in the manufacturing equipment, "by replacing consumables at a certain time, one can prevent defective products in advance".

With regards to process condition optimization, in the past, when artisans used paint to create a product, there were steps where they had problems with the temperature and viscosity, that is, how high or low the viscosity was, which led to "defects" in their products. With process condition optimization, AI is used to optimize processes such as "not producing defective products by inputting raw materials under such conditions" in terms of the season, outside air temperature, and humidity. I would like to inform you that we are finally starting the prototype model of these three.

Capital and Business Alliance with TSUNAGU GROUP HOLDINGS Inc.

Capital and Business Alliance with TSUNAGU GROUP HOLDINGS Inc.

NISSO has concluded an agreement to underwrite a third-party allotment of shares to TSUNAGU HC SUPPORT Inc. [New company name: LeafNxt Co., Ltd.], a consolidated subsidiary of TSUNAGU GROUP HOLDINGS Inc. (President: Mitsuhiro Yoneda, Chiyoda-ku, Tokyo) and to establish the new company as a joint venture company.

In order to further revitalize the human resources market, NISSO aims to provide new value by integrating the businesses and expertise of both companies through the joint venture, and will strive to realize a human-centered society that balances economic development and the resolution of social issues.

Business Description of the Joint Venture Company

- Recruitment platform business that connects alliance companies and companies with a shortage of human resources
- Recruitment consulting business (media direction business) centered on the manufacturing contracting industry
- Development-type qualified personnel dispatching business with qualification acquisition support
- Dispatching business centered on light work areas

※For details, please refer to the "Notice of Capital and Business Alliance with TSUNAGU GROUP HOLDINGS Inc. (Conversion of TSUNAGU's Subsidiary as a Joint Venture Company)" announced on January 18, 2022.

【Overview of Joint Venture Company to be Established】

(1) Company name	TSUNAGU HC SUPPORT Inc. ※Company name scheduled to be changed to LeafNxt Co., Ltd. by March 1, 2022
(2) Location	3-1-16 Kandamisaki-cho, Chiyoda-ku, Tokyo
(3) Representative	Representative Director Koji Ishibashi
(4) Business description	Human resources dispatching business, development-type qualified personnel dispatching business, recruitment platform business, media direction business, etc.
(5) Capital	124 Million JPY
(6) Date of establishment	August 3, 2021
(7) Scheduled date of joint venture	March 1, 2022
(8) Investment ratio	TSUNAGU GROUP HOLDINGS Inc. : 51.3% NISSO CORPORATION : 48.7%

As for new business initiatives, as shown on the slide, we will be establishing a joint venture company with TSUNAGU GROUP HOLDINGS Inc., which is scheduled to be launched on March 1.

As I have stated before, the purpose of this joint venture is to thoroughly pursue the most critical aspects of human resource services in the future, how to recruit people efficiently, and how to match those who have been hired to the right place, by sharing our expertise with that of the TSUNAGU GROUP.

The description of the business is as shown on the slide, and we are now finally entering the third year of our new businesses. In particular, as I with the so-called alliance companies that I have been talking about for some time, and of course TSUNAGU, we will create a consortium of industries that we are able to send personnel that we have hired to, even though the industry may be different than ours, and we will conduct a matching platform business for introducing human resources.

In order to promote better recruitment, it is described as the "Recruitment Consulting Business". In particular, in the media direction business, the key point is to actively provide information on "how to advertise the site and how to hire staff efficiently" to other companies while making good use of NISSO's own website.

In addition, we will steadfastly create NISSO's long-standing human resource development business, which will dispatch development-type qualified personnel, with TSUNAGU. Moreover, since it would be a waste to leave the staff who gathered at NISSO as they are, we will also coordinate the business of allocating appropriate personnel to light work, distribution centers, and service industries of the newly joint-ventured company. I hope you will understand that the business derived from this has started as a new business in the third year of the medium-term management plan.

Now that it's no longer considered as insider information, I am finally able to explain it in this way. We would like to continue to actively conduct IR activities in the next fiscal year.

Other Businesses Business Revenue

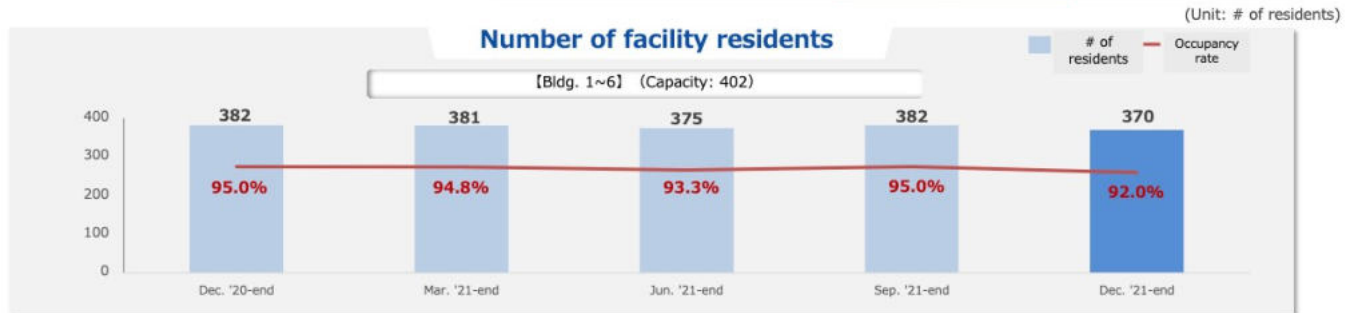
Point

- The occupancy rate of all nursing care facilities has been maintained at 90% or higher.
- Efficient operations have continued, and revenue and profits have increased.
- Operating profit increased from 20 million yen in 2Q to 35 million yen.

● Results of Other Businesses

(Unit: Million yen)

	FY 3/21 3Q		FY 3/22 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	2,220	100.0%	2,240	100.0%	19	0.9%
Expenses	2,242	101.0%	2,204	98.4%	(37)	(1.7%)
Operating profit (loss)	(21)	(1.0%)	35	1.6%	57	—



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This is our Other Businesses. This is the nursing care business that you may be aware of, but when you look at it, it may actually cause some concerns. Buildings 5 and 6, which are facilities for medical treatment, may be the cause of such concerns, since there are some people who pass away as we head toward the winter season.

On the other hand, there are cases where people are waiting to occupy the facilities since there are risks due to the recent spread of Omicron variant, or there are situations where it may be difficult for prospective residents to preview the facilities, which has led to slight decreases in the occupancy rates. Although this business is not in a situation where it will reach a deficit, I have provided an explanation just in case.

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	3Q Results	Progress rate	Full-year Target	3Q Results	Progress rate	Full-year Target	3Q Results	Progress rate	Full-year Target	3Q Results	Progress rate	Full-year Target	3Q Results	Progress rate
Net sales	78,000	56,977	73.0%	70,400	50,721	72.0%	4,100	4,015	97.9%	500	0	0%	3,000	2,240	74.7%

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I would like to provide an explanation regarding the progress of each target segment. As you can see, despite the fact that there are situations where the operating rates are low, we have been able to steadily increase the number of enrolled staff. Therefore, with 72% progress in existing businesses, we expect to fully achieve our initial target for net sales in the fourth quarter.

On the other hand, in the engineering area, we have achieved net sales for roughly one year by the third quarter, and as shown in the graph, we have been performing very well.

With regards to new businesses, we intend to create businesses in the new businesses area that will generate a gross profit of 1.8 billion yen in the third year. Looking at net sales alone, although the progress is not "0", by the third quarter, since it was at a level of several million yen, we have made it "0" for the time being. Rather than saying that the progress is behind schedule, I believe it can be said that they are making steady progress.

I believe you can see from these graphs that the progress of Other Businesses is proceeding at a normal level.

Introduction of Shareholder Benefits Program

Introduction of Shareholder Benefits Program



Establishment of shareholder benefits program "NISSO Premium Benefits Club"

With the aim of further enhancing the attractiveness of investing in NISSO's shares and increasing the number of shareholders who can hold our shares over the medium to long term, we have established the "NISSO Premium Benefits Club" shareholder benefits program. The first shareholder benefits points are scheduled to be presented in May 2022.

Overview of the Shareholder Benefits Program

- Shareholders who hold more than 3 share units (300 shares) listed or recorded in NISSO's register of shareholders as of the end of March every year will receive benefits points in May (scheduled) every year according to the number of shares held.
- The "NISSO Premium Benefits Club", a special website limited to shareholders, will allow shareholders to exchange benefits points for more than 4,000 types of products, such as food and electrical appliances.

※For details, please refer to the "Notice of Introduction of Shareholder Benefits Program" announced on December 16, 2021.

< Shareholder Benefits Points Table (1 point ≒1 yen) >

Number of Shares Held	Points to be Granted	Presentation Period
300~499 shares	3,000 points	May of every year (Scheduled)
500~699 shares	6,000 points	
700~899 shares	10,000 points	
900~999 shares	15,000 points	
1,000~1,999 shares	20,000 points	
2,000+ shares	50,000 points	

The introduction of the Shareholder Benefits Program, which is highly beneficial to individual investors rather than institutional investors, has been decided as described here, so please refer to this page for more details. Since this briefing is for institutional investors, please allow me to omit any further explanation.

FY 3/2022 Full-year Consolidated Forecasts



FY 3/2022 Full-year Consolidated Forecasts

According to the Full-year Consolidated Forecasts, although the number of enrolled staff increased at a pace that exceeds the initial plan for the FY, NISSO expects a decrease in profits, partly due to a decrease in operations as a result of shortages of semiconductor and parts supplies in the automobiles-related industry.

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

(Unit: Million yen)

	FY 3/21 Results		FY 3/22 Forecast		Year-on-Year	
	Results	% of Total	Forecast	% of Total	Increase (Decrease)	% Change
Net sales	68,213	100.0%	78,000	100.0%	9,786	14.3%
Operating profit	2,599	3.8%	2,400	3.1%	(199)	(7.7%)
Ordinary profit	2,949	4.3%	2,600	3.3%	(349)	(11.9%)
Profit attributable to owners of parent	1,592	2.3%	1,750	2.2%	157	9.9%

Regarding our forecasts for the future, we would like to basically keep the figures that were revised at the end of the previous second quarter. However, the status of operating profit is indeed complicated to read at this stage.

I believe this depends on how the Omicron variant will be resolved and how much the semiconductors and parts shortages will be resolved by the end of this fiscal year. However, since it seems unlikely that profits will fall significantly at this stage, I would like to leave this part unchanged.

Shareholder Return Policy



Shareholder Return Policy

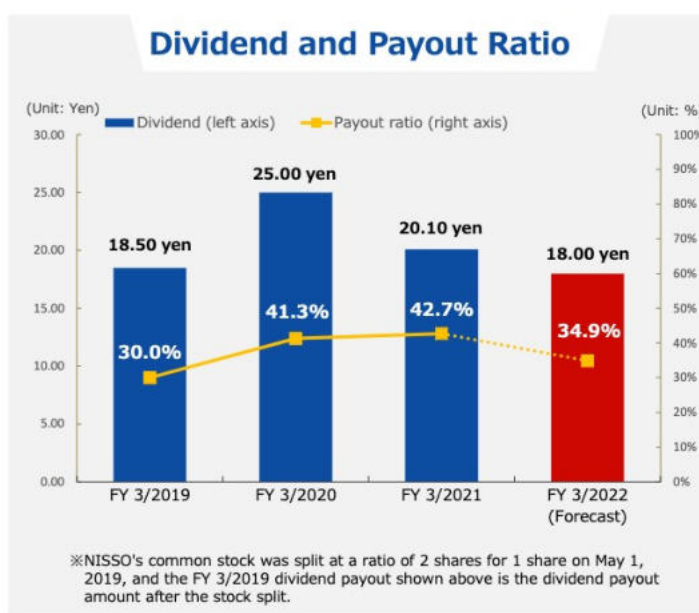
Basic Policy

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

In the future, NISSO will aim to achieve a consolidated dividend payout ratio of over 30%, taking into account the balance with investments.

FY 3/2022 Dividend Forecast

NISSO forecasts a dividends per share of 18.00 yen. This will result in a dividend payout ratio of 34.9%.



This is our shareholder return policy. As I have previously explained, although our perception is that net sales will not be as expected due to various issues, we do not regard it as negative at all, considering the steady growth in the number of enrolled staff.

The idea is that the 18 yen that we originally promised will remain unchanged, and as a result, the dividend payout ratio will be 30% or more. It will be 34.9%, which depends on how profits will come out in the future, so I would like to leave the 18 yen unchanged.

Consolidated Balance Sheet

Consolidated Balance Sheet



(Unit: Million yen, %)

	Mar. 2021-end		Dec. 2021-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	14,813	68.5	15,348	65.6	534
Cash and deposits	5,873	27.2	5,651	24.1	(222)
Notes and accounts receivable - trade	8,094	37.4	8,784	37.5	689
Non-current assets	6,817	31.5	8,053	34.4	1,235
Property, plant and equipment	4,654	21.5	4,643	19.8	(11)
Intangible assets	305	1.4	1,724	7.4	1,419
Investments and other assets	1,857	8.6	1,685	7.2	(171)
Total assets	21,631	100	23,401	100	1,769
Current liabilities	8,178	37.8	9,446	40.4	1,268
Accrued expenses	4,541	21.0	5,566	23.8	1,024
Income taxes payable	494	2.3	33	0.1	(461)
Provision for bonuses	950	4.4	552	2.4	(398)
Non-current liabilities	689	3.2	1,064	4.5	374
Net defined benefit liability	345	1.6	476	2.0	131
Total liabilities	8,868	41.0	10,510	44.9	1,642
Shareholders' equity	12,744	58.9	12,879	55.0	135
Total net assets	12,763	59.0	12,890	55.1	127
Total liabilities and net assets	21,631	100	23,401	100	1,769

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Point

- ① **Increase in the number of staff in operation**
Due to the increase in the number of staff in operation, "notes and accounts receivable (trade)" and "accrued expenses" under current assets increased.
- ② **Business combinations, etc.**
As a result of the establishment of a new subsidiary through the acquisition of shares, "cash and deposits" under current assets decreased, and "intangible assets" increased.
- ③ **Tax**
As a result of the interim tax payment, "income taxes payable" under current liabilities decreased.
- ④ **Overall**
As a result of the above, total assets increased by 8.2%, total liabilities increased by 18.5%, net assets increased by 0.1%, and equity ratio decreased by 3.9% to 55.1% compared to the end of the previous fiscal year.

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Since this page is considered as supplementary material, please refer to it at your own convenience. Please accept my apologies for this long explanation, but I would like to conclude my presentation. Thank you very much for your undivided attention.