NISSO CORPORATION: Net sales increased 14.6% year-on-year Despite the continued impact of the shortages of semiconductors and parts, the forecast for the next fiscal year is expected for both revenue and profits to increase

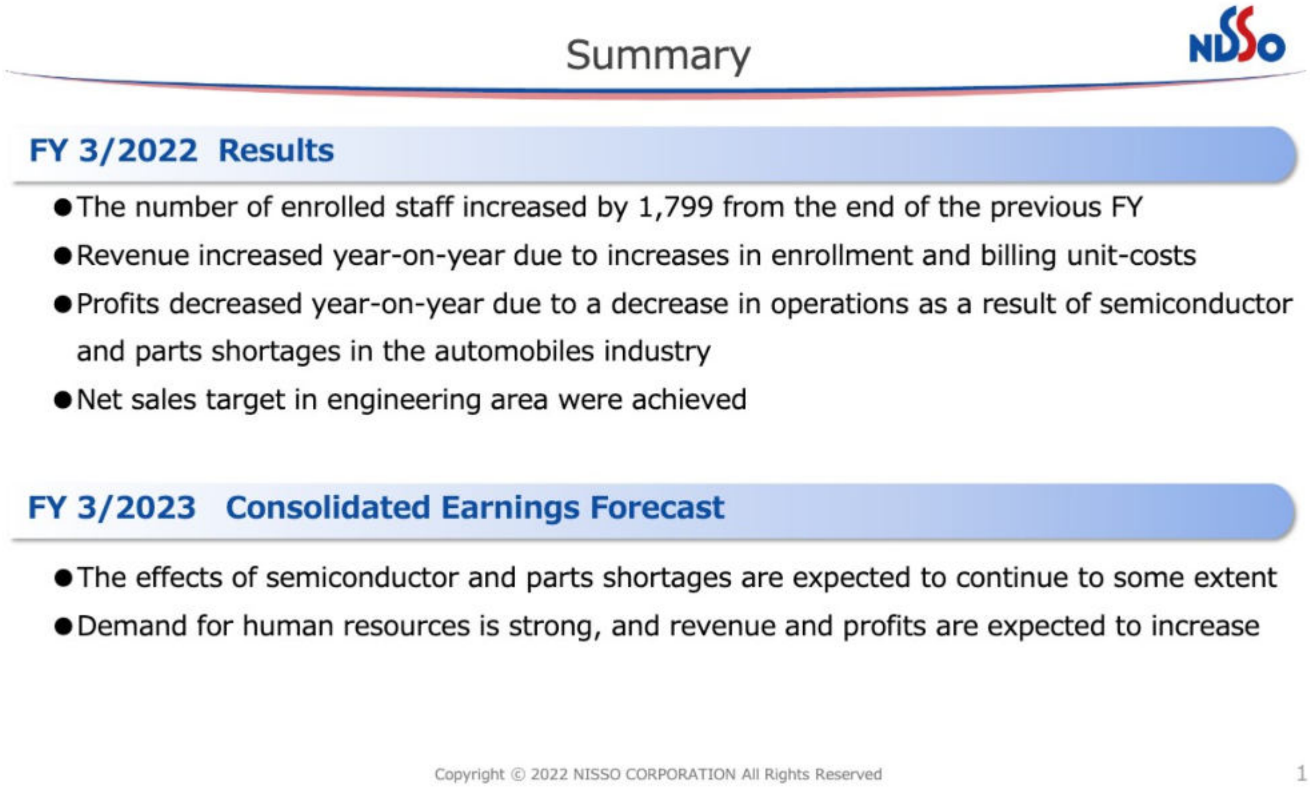
NISSO CORPORATION FY 3/2022 Financial Results Briefing

NISSO CORPORATION
6569 · Prime Market · Services

This is a transcript of the financial results briefing for the fiscal year ended March 31, 2022 held on May 13, 2022, by NISSO CORPORATION.

Speaker	Ryuichi Shimizu, Representative Director, President & CEO, NISSO CORPORATION
Sponsor	NISSO CORPORATION
Website	https://www.nisso.co.jp/

Summary



Hello everyone, thank you very much for joining us today despite the poor weather and for taking time out of your busy schedules. I would also like to thank those of you who are listening to the live webcast. Now, I would like to start the briefing.

The first page is the summary. It states that the increase in enrolled staff from the end of the previous fiscal year was 1,799, but there were moments when the number increased by more than 2,000. Partly because it was the end of the fiscal year, the number decreased by about 250 at the end of the period, ending up with an increase of 1,799.

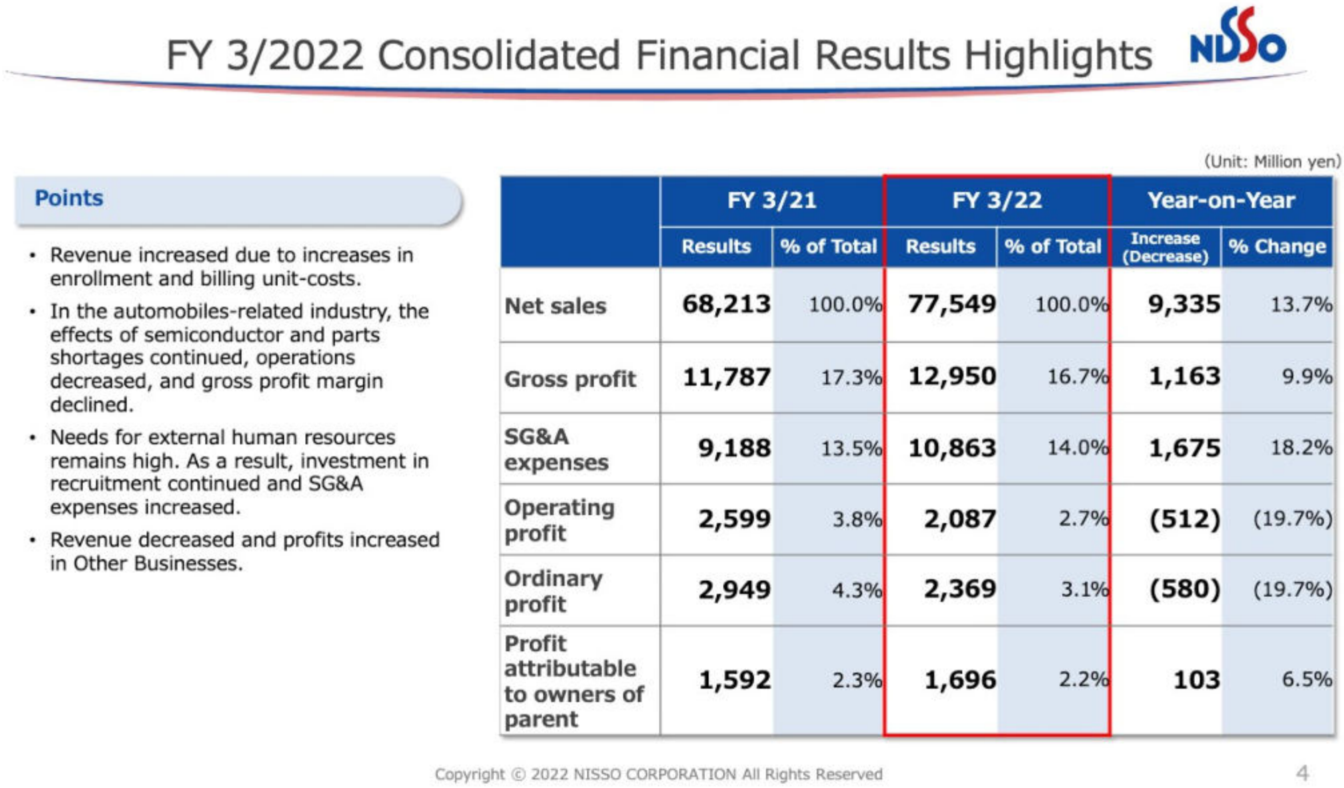
As I will be explaining later, although we should have seen a further increase in revenue and profits, this was not the case, as COVID-19 and other factors made it very difficult to procure parts and semiconductors. Therefore, although the increase in enrolled staff and higher unit-costs led to a year-on-year increase in revenues, the impact on the rate of operations was significant, resulting in a decrease in profits.

As for the engineering area, both net sales and profits have been steadily increasing.

I will be explaining the situation for the current fiscal year in detail later. We expect that the effects of the semiconductor and parts shortages will remain, and have made a forecast for the end of the fiscal year.

Demand for human resources from clients has remained very strong. Although revenue and profits will increase compared to the previous fiscal year, we do not believe that the increase in profits will be very large under the current circumstances.

FY 3/2022 Consolidated Financial Results Highlights



FY 3/2022 Consolidated Financial Results Highlights

NISSO

Points

- Revenue increased due to increases in enrollment and billing unit-costs.
- In the automobiles-related industry, the effects of semiconductor and parts shortages continued, operations decreased, and gross profit margin declined.
- Needs for external human resources remains high. As a result, investment in recruitment continued and SG&A expenses increased.
- Revenue decreased and profits increased in Other Businesses.

(Unit: Million yen)

	FY 3/21		FY 3/22		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	68,213	100.0%	77,549	100.0%	9,335	13.7%
Gross profit	11,787	17.3%	12,950	16.7%	1,163	9.9%
SG&A expenses	9,188	13.5%	10,863	14.0%	1,675	18.2%
Operating profit	2,599	3.8%	2,087	2.7%	(512)	(19.7%)
Ordinary profit	2,949	4.3%	2,369	3.1%	(580)	(19.7%)
Profit attributable to owners of parent	1,592	2.3%	1,696	2.2%	103	6.5%

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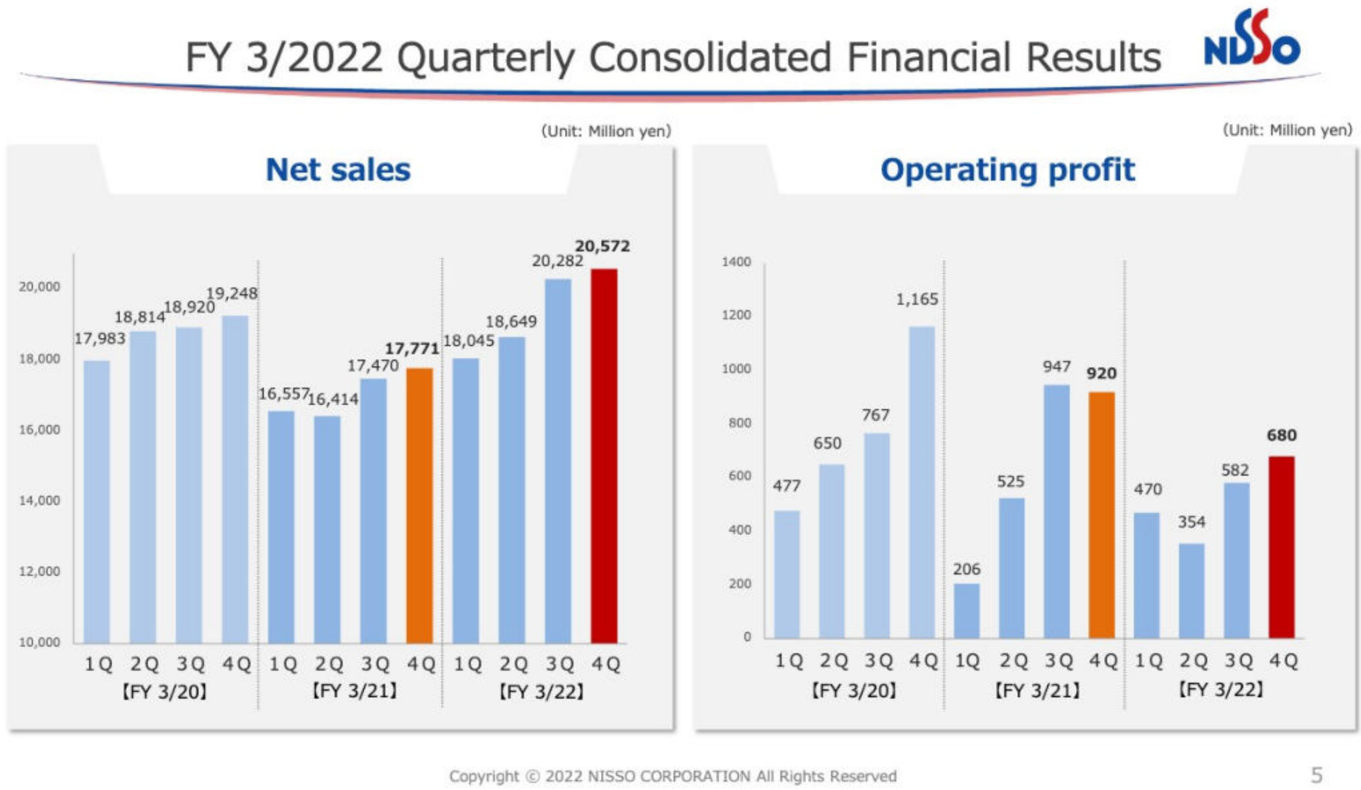
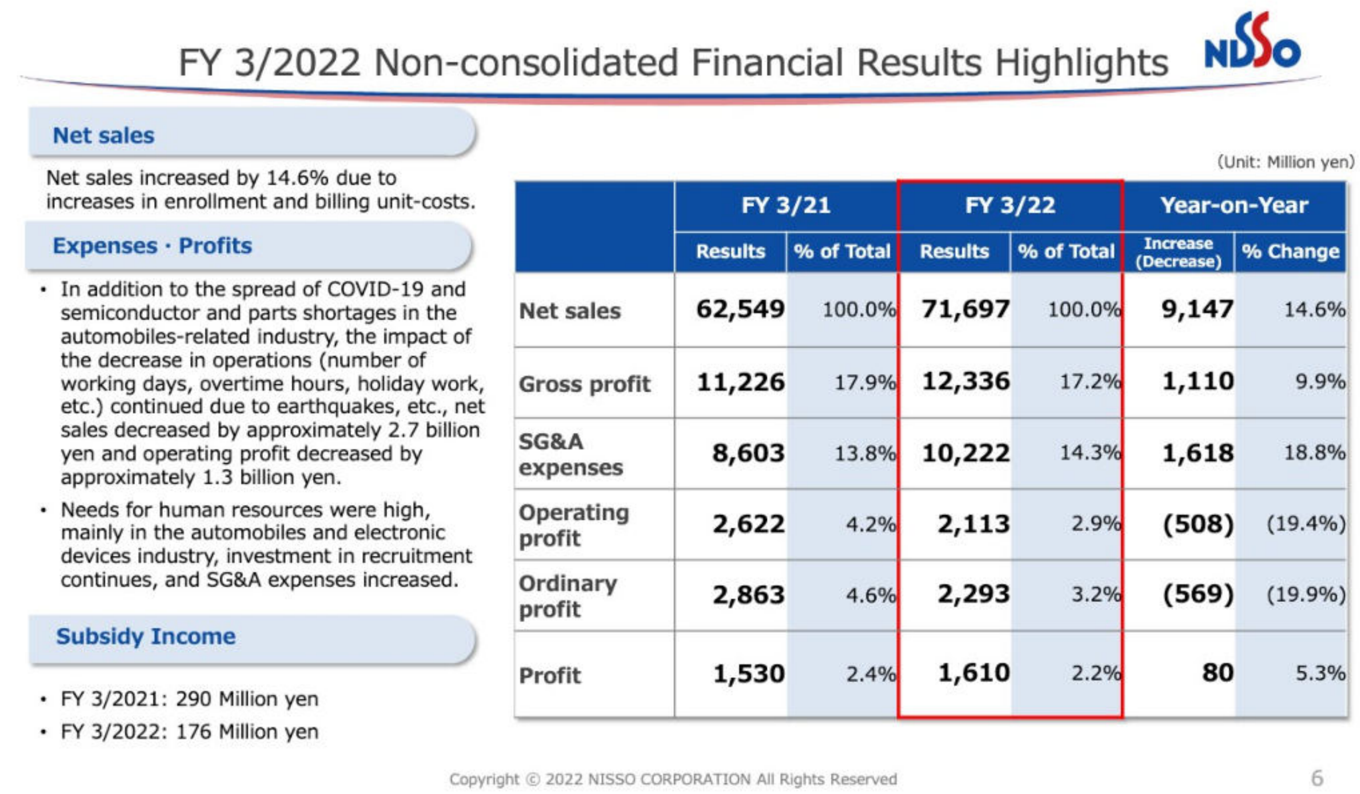
I will be discussing the highlights of the consolidated results later on. First, I would like to explain by focusing on the highlights of NISSO's non-consolidated results.

FY 3/2022 Quarterly Consolidated Financial Results



The graphs of quarterly net sales and operating profit are shown on page 5.

FY 3/2022 Non-consolidated Financial Results Highlights



FY 3/2022 Non-consolidated Financial Results Highlights

Net sales

Net sales increased by 14.6% due to increases in enrollment and billing unit-costs.

Expenses · Profits

- In addition to the spread of COVID-19 and semiconductor and parts shortages in the automobiles-related industry, the impact of the decrease in operations (number of working days, overtime hours, holiday work, etc.) continued due to earthquakes, etc., net sales decreased by approximately 2.7 billion yen and operating profit decreased by approximately 1.3 billion yen.
- Needs for human resources were high, mainly in the automobiles and electronic devices industry, investment in recruitment continues, and SG&A expenses increased.

Subsidy Income

- FY 3/2021: 290 Million yen
- FY 3/2022: 176 Million yen

(Unit: Million yen)

	FY 3/21		FY 3/22		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	62,549	100.0%	71,697	100.0%	9,147	14.6%
Gross profit	11,226	17.9%	12,336	17.2%	1,110	9.9%
SG&A expenses	8,603	13.8%	10,222	14.3%	1,618	18.8%
Operating profit	2,622	4.2%	2,113	2.9%	(508)	(19.4%)
Ordinary profit	2,863	4.6%	2,293	3.2%	(569)	(19.9%)
Profit	1,530	2.4%	1,610	2.2%	80	5.3%

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Please refer to page 6. As mentioned on the slide, net sales increased by 14.6 percent due to higher unit-costs and increased enrollment.

On the other hand, there were significant opportunity losses. For example, we receive an average of 60% compensation from the client when a process stops due to the shortage of parts or other factors, which is basically compensation for the salary of the staff who couldn't operate. In addition, the process stoppage allows operating staff to actively use paid leave, which is usually difficult to take, and reduces overtime and holiday work.

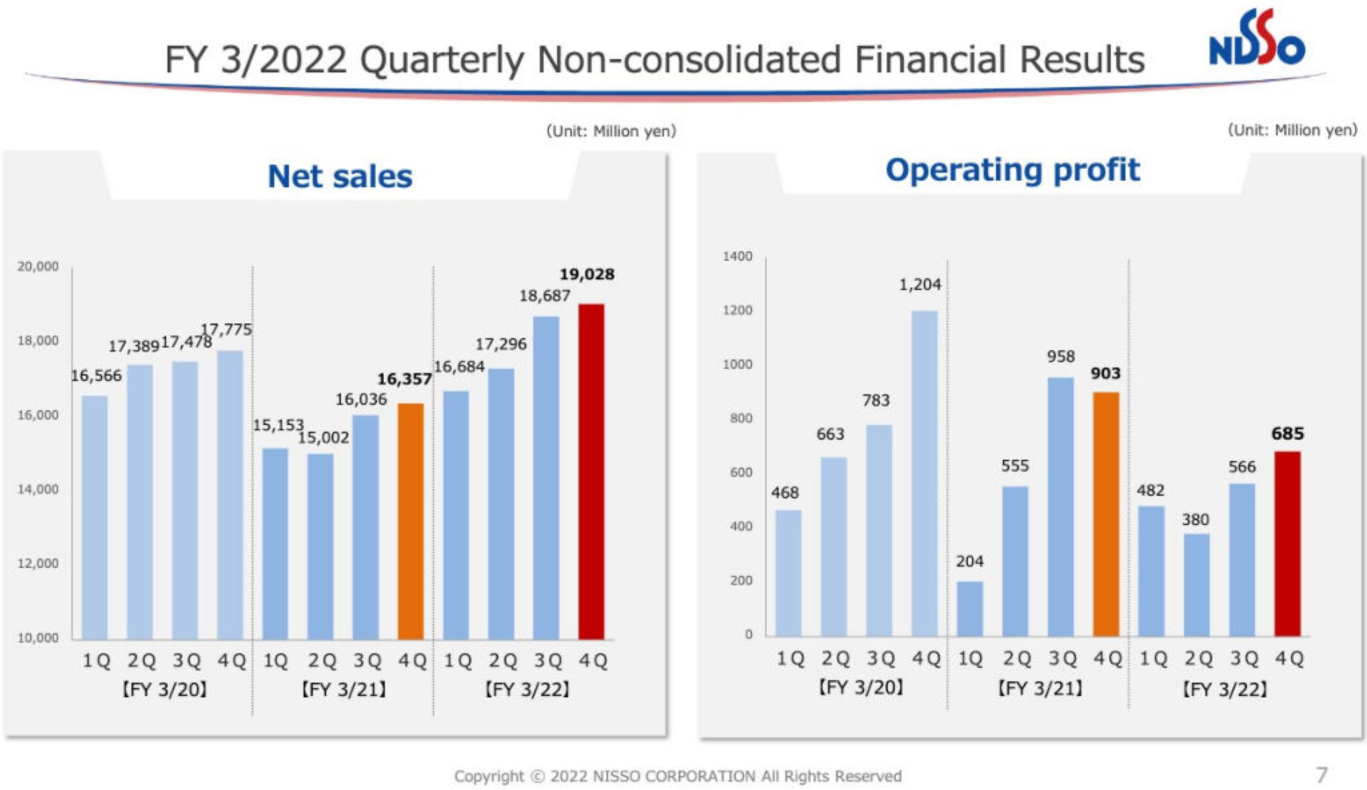
This resulted in an opportunity loss of approximately 2.7 billion yen in net sales, which I will be explaining in detail later. Operating profit was also affected by COVID-19 in the 2 previous fiscal years, resulting in an opportunity loss of approximately 1.3 billion yen compared to previous normal operation levels.

As I mentioned earlier, demand from clients remained strong in the previous fiscal year, which led to a large increase in expenses for recruitment and for advertising on our website, which had not been promoted for some time due to the impact of COVID-19. Recruitment and advertising expenses together have increased by about 1 billion yen from the previous two fiscal years.

We do not think it is a good idea, but there is such a thing as a company-entrance benefit. In the midst of a situation where many upfront costs are incurred by automobile manufacturers and other companies in an effort to pull in personnel to join their companies, we cannot afford to be the only company not taking any steps, and such expenses are getting higher. This is also a major factor contributing to the deterioration of the cost ratio.

In addition, the number of days where there was suspension of operations has decreased compared to the start of the COVID-19 pandemic. As a result, subsidy income has decreased by 114 million yen compared to last year.

FY 3/2022 Quarterly Non-consolidated Financial Results



The bar graphs show non-consolidated quarterly net sales and profits. Due to the nature of our industry, when enrollment increases steadily, the appropriate ratio of operating profits in the first half of the year and in the second half of the year is about 1 to 2. However, as shown in the graph on the slide, operating profit stalled significantly at about 1 to 1.45 in FY 3/2022, affected by parts shortages in the second half.

FY 3/2022 Financial Results Summary

FY 3/2022 Financial Results Summary

NISSO

Consolidated Financial Results

Net Sales	**77,549 Million yen**	(9,335 Million yen／ 13.7 % YoY)
Operating Profit	**2,087 Million yen**	(-512 Million yen／- 19.7 % YoY)

- **Net Sales by Industry (YoY)**
  - Automobiles ··· **+16.7%**
  - Electronic devices ··· **+19.2%**

  ・In the automobiles-related industry, net sales increased by 16.7%. Net sales increased due to an increases in enrollment and billing unit-costs, and the effects of shortages of semiconductor and parts supplies continued.
  ・In the electronic devices-related industry, net sales increased by 19.2% YoY. Demand for semiconductors continued to be strong.

- **FY-end Number of Enrolled Staff**
  14,945 staff
  (+1,799 staff from FY 3/21-end)

  ・The number of enrolled staff increased by 1.799 compared to FY 3/21-end. In addition to the continued increase in the number of staff in the automobiles-industry, the number of enrolled staff in the robust electronic devices-industry also increased.

- **Net Sales per Capita/Monthly**
  415 Thousand yen
  (+19 Thousand yen YoY)

  ・Net sales per capita in the automobiles-related industry increased by 19 thousand yen YoY due to the continued effects of the decrease in operations (number of working days, overtime hours, holiday work, etc.) as a result of earthquakes, etc., in addition to semiconductor and parts shortages and the spread of COVID-19, as well as increases in billing unit-costs.

Here is an overview of our activities. As you can see, with regard to net sales by industry, both the automobiles and electronic devices industries are growing. As I mentioned earlier, the increase in the number of enrolled staff in the automobiles industry and the rise in the unit-costs had a significant impact, but there were also some lost opportunities.

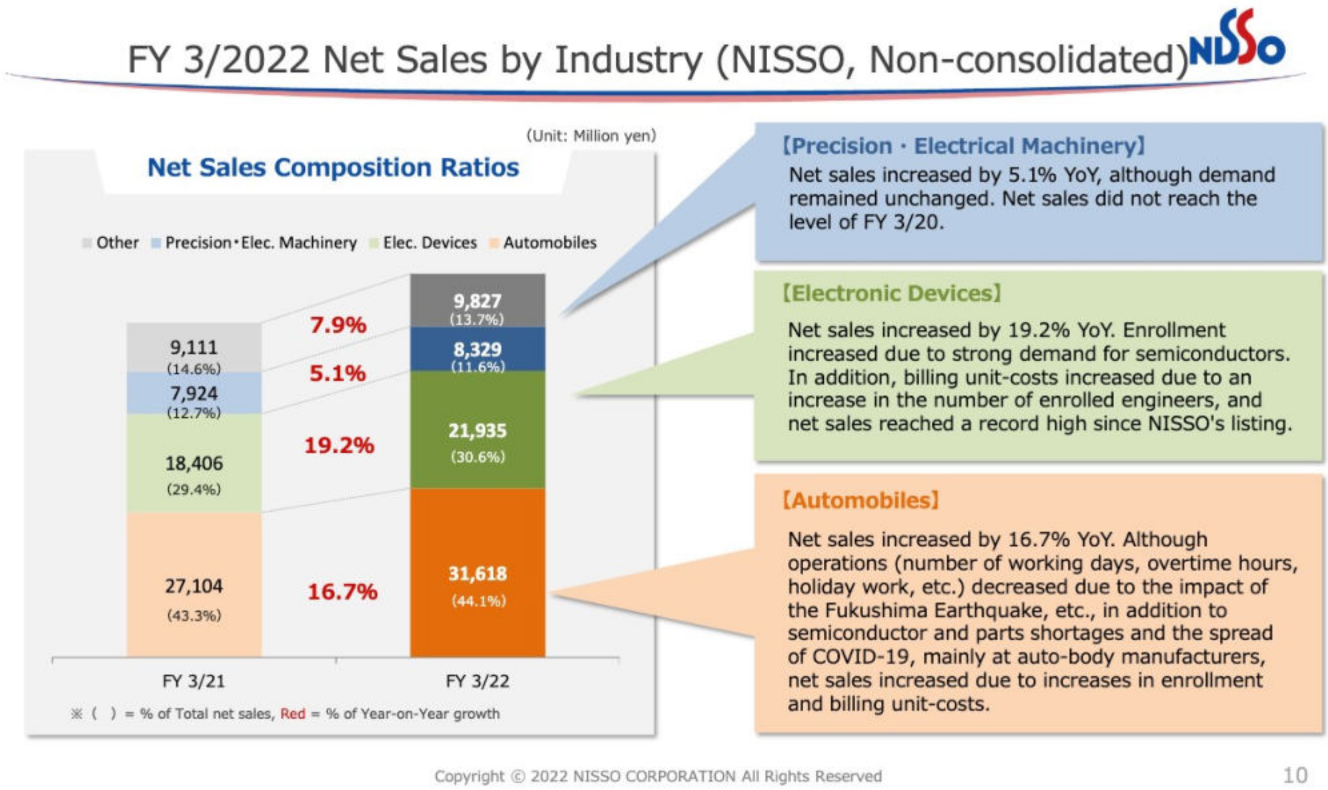
An analysis of the previous year shows that semiconductor manufacturers performed extremely well, but the area of what are called passive devices, highly related to semiconductors, was aggravated by insufficient semiconductor manufacturing. In our case, I would say that the rate of operations at even the leading group in capacitors was about 90% of the normal rate. As a result of our analysis, it turned out that the operation status per capita has dropped despite the increase in the number of staff.

The number of enrolled staff was as I reported at the beginning of this briefing. Net sales per capita have increased by an average of 19,000 yen per month compared to the same period of the previous year. Although the details of the impact were different, the previous two years were affected by COVID-19. FY 3/2021 was affected by infection risks, and FY 3/2022 suffered from parts shortages. Despite such situations, the increase in unit-costs led to an average monthly increase in sales of 19,000 yen.

I noticed one thing when analyzing various situations to find the correlation between the number of paid leave days taken by the 14,000-plus staff who work for us to reduce operations.

Under normal operating conditions, the paid leave acquisition status for each staff is slightly less than 0.8 days per month. However, when paid leave exceeds one day per staff per month, there is a noticeable decline in operations, resulting in a significant negative impact on earnings.

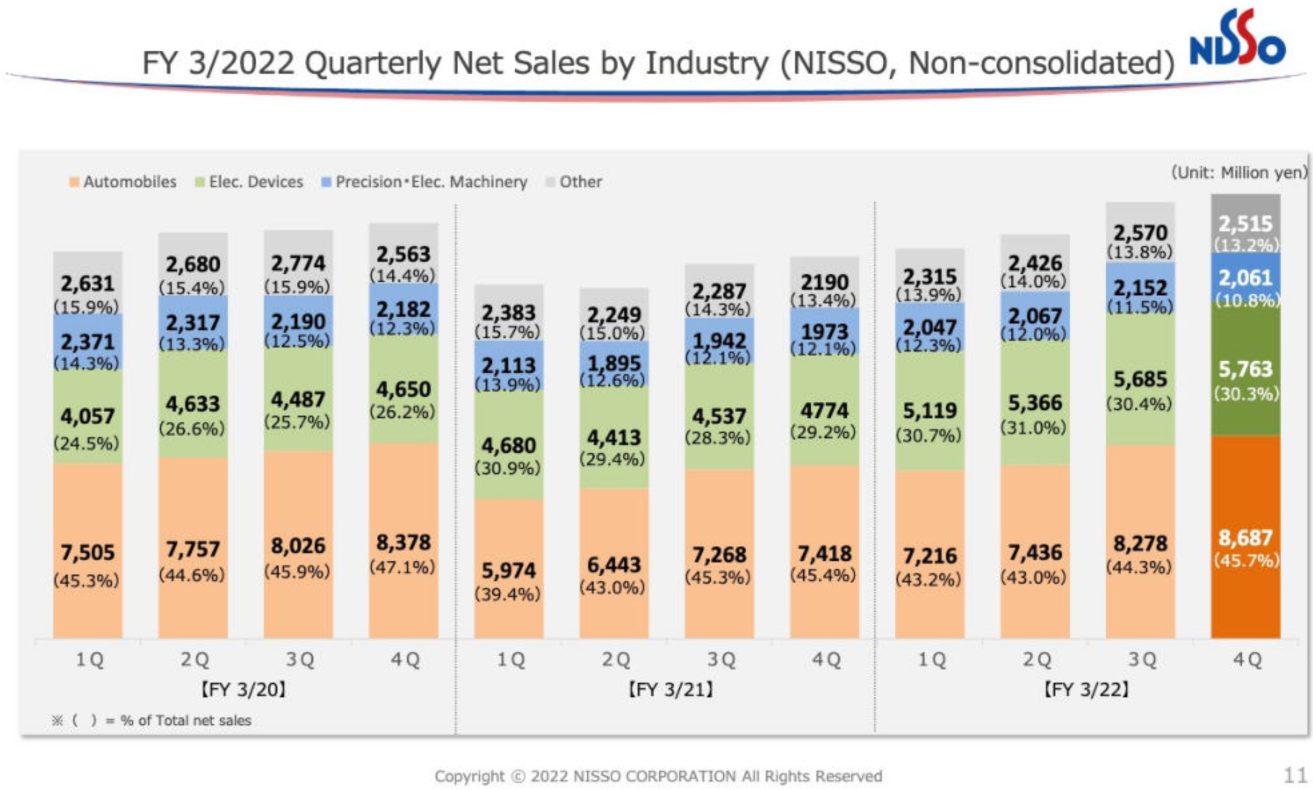
FY 3/2022 Net Sales by Industry（NISSO, Non-consolidated）



Please refer to page 10. As I reported earlier, the electronic components and automobiles industries are growing. If there had been no opportunity loss, the automobiles industry would have grown more.

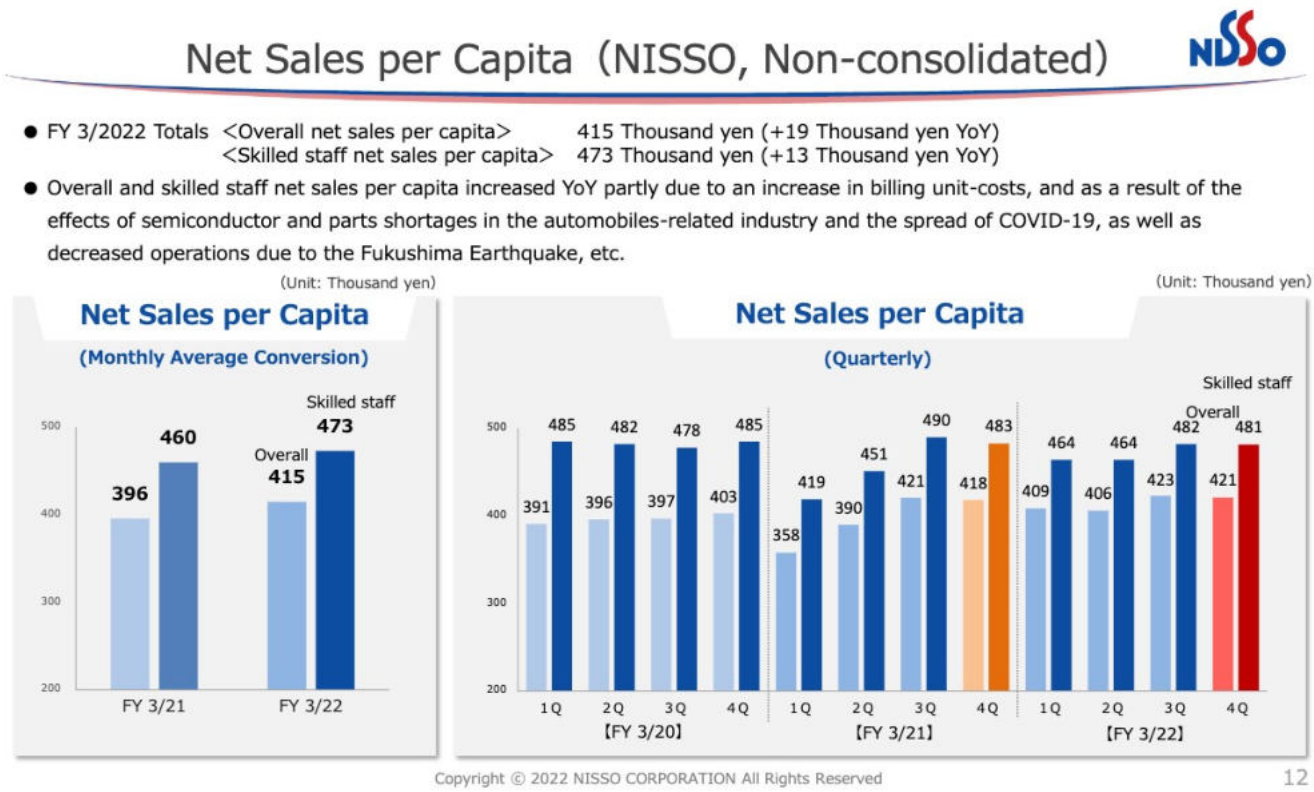
What I would like to communicate here is that amid the overall growth, the electronic components and automobiles industries are growing significantly. Although the automobiles industry has been affected by parts shortages, our share in major automobile manufacturers, which we would like to increase, has been steadily growing in the meantime. In addition, while the number of enrolled staff under our top line was increasing, the rate of operations did not grow so much. These situations are illustrated on the slide.

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



Page 11 shows the trends in the electronic components, automobiles, precision and electrical machinery industries, and others. As shown in the slide, although the rate of operations is not increasing, the automobiles industry is steadily growing, and electronic components industry continues to grow. We expect this situation to continue in the current fiscal year.

Net Sales per Capita (NISSO, Non-consolidated)

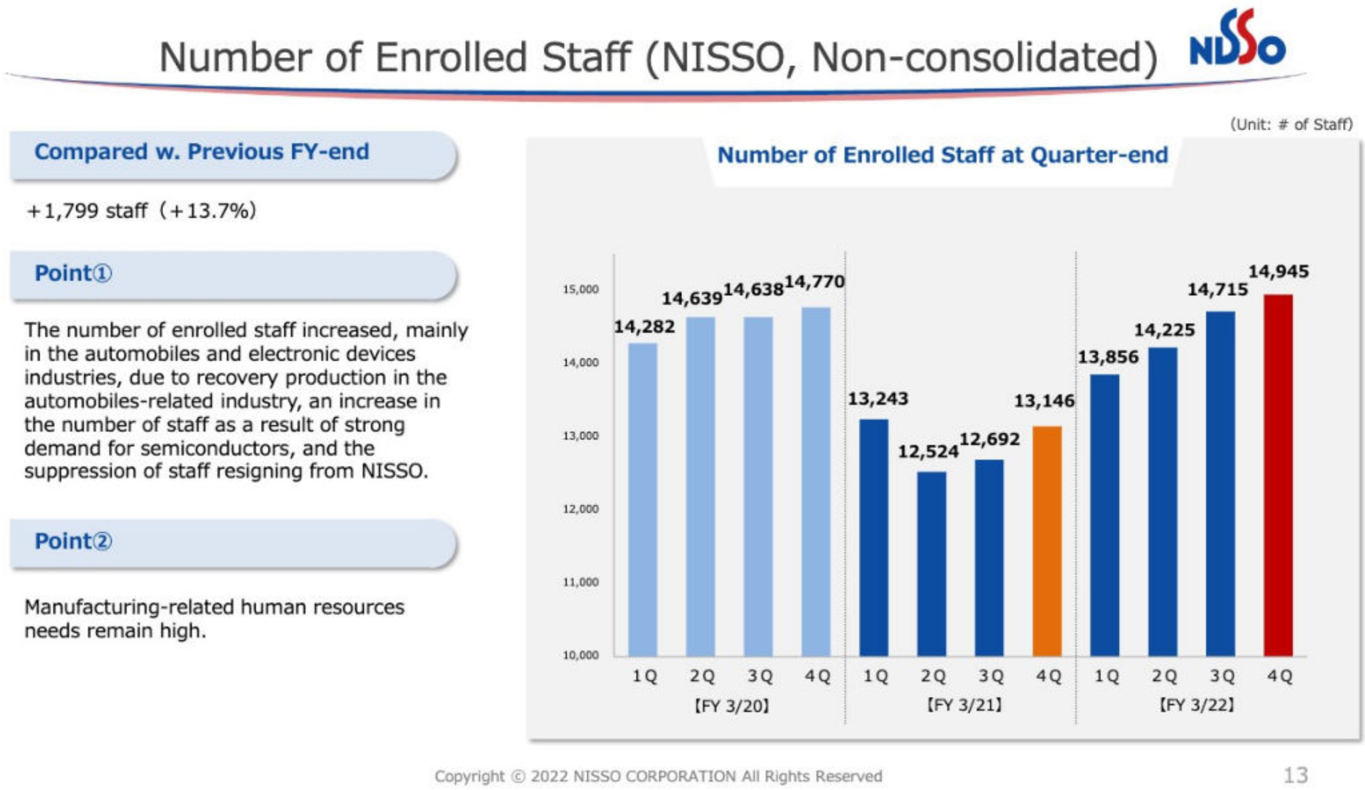


Page 12 shows the net sales per capita situation. As shown in the graph on the slide, there has indeed been growth compared to the fiscal year before the previous one, but since FY 3/2021 was also affected by COVID-19, we will look at this compared to FY 3/2020, which is two years ago.

Despite the increase in the unit-costs for skilled staff, net sales have not increased so much, which you can see is reflected in the poor operation status.

Incidentally, simply comparing the previous fiscal year to FY 3/2020, the average unit price per order increased by more than 70 yen. On the other hand, comparing FY 3/2020 to FY 3/2021, the difference in overtime levels in the fourth quarter is about 4 hours per month. The year before last was in the midst of recovering from COVID-19, when parts shortages were not so pronounced, but unfortunately the operation level was down.

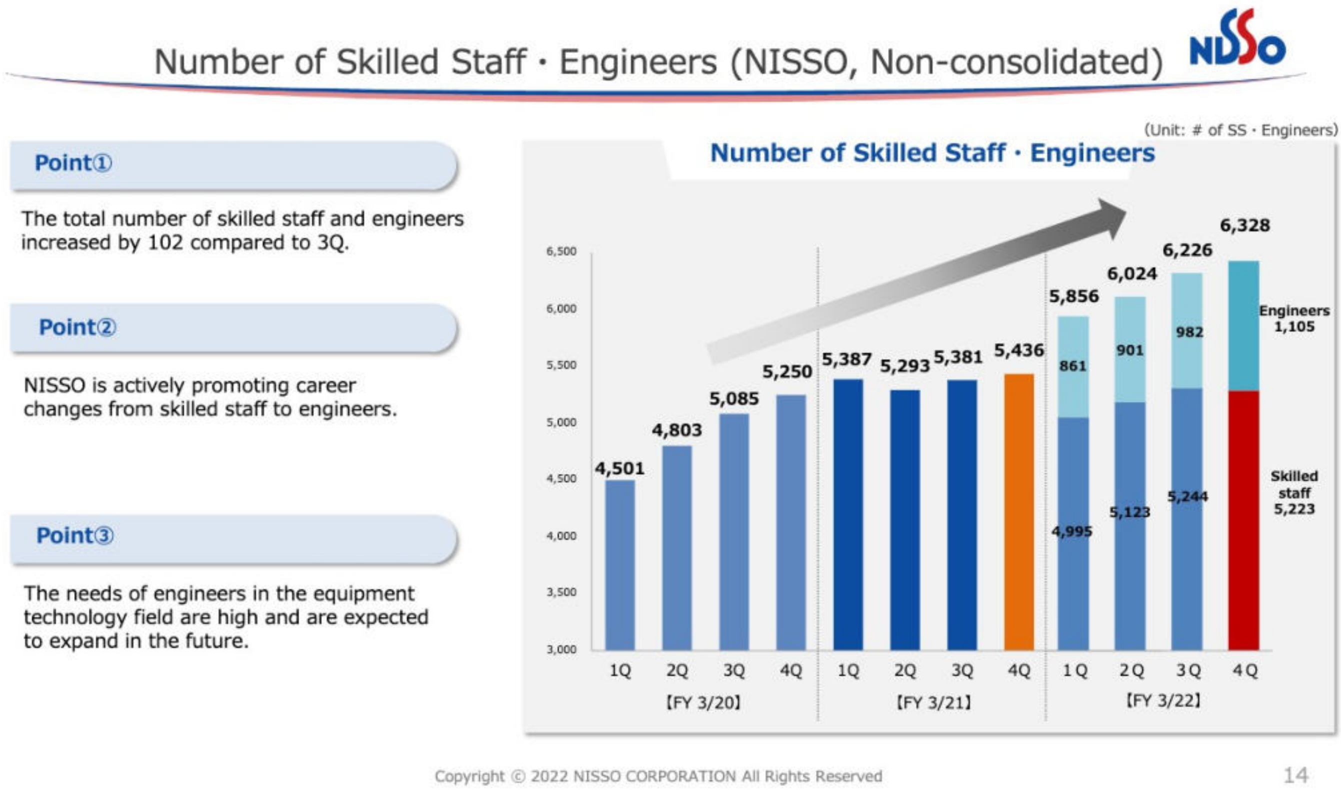
Number of Enrolled Staff（NISSO, Non-consolidated）



Page 13 is about the change in the number of enrolled staff. In addition to the very strong demand for human resources from clients, successful recruitment and lower turnovers contributed to the growth as shown on the slide. I will be explaining the lower turnover rates later on.

It is very disappointing that net sales and profits have not accompanied the increase of the top line, but we will continue to boost the top line while waiting for clients to recover from the parts shortage situation. I will be explaining the circumstances of the current fiscal year again later.

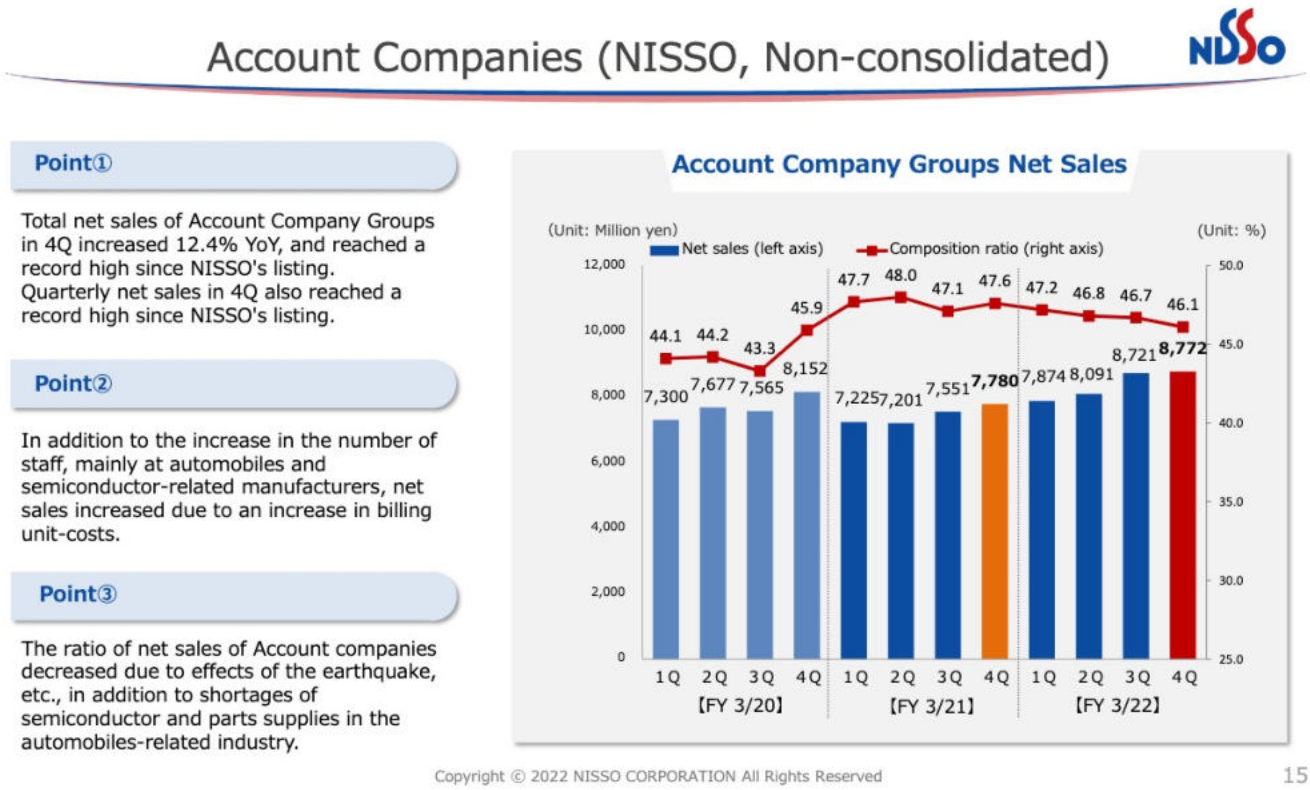
Number of Skilled Staff・Engineers（NISSO, Non-consolidated）



Please refer to page 14. As shown on the slide, there were 102 more skilled staff and engineers in the fourth quarter compared to the third quarter. In particular, we are actively promoting career changes from skilled staff to engineers.

Eighty percent of our engineers come from skilled staff, with the remainder from mid-career hires. As the demands of our clients are extremely high in the field of equipment technology, I believe it is extremely important to expand the number of engineers in this area.

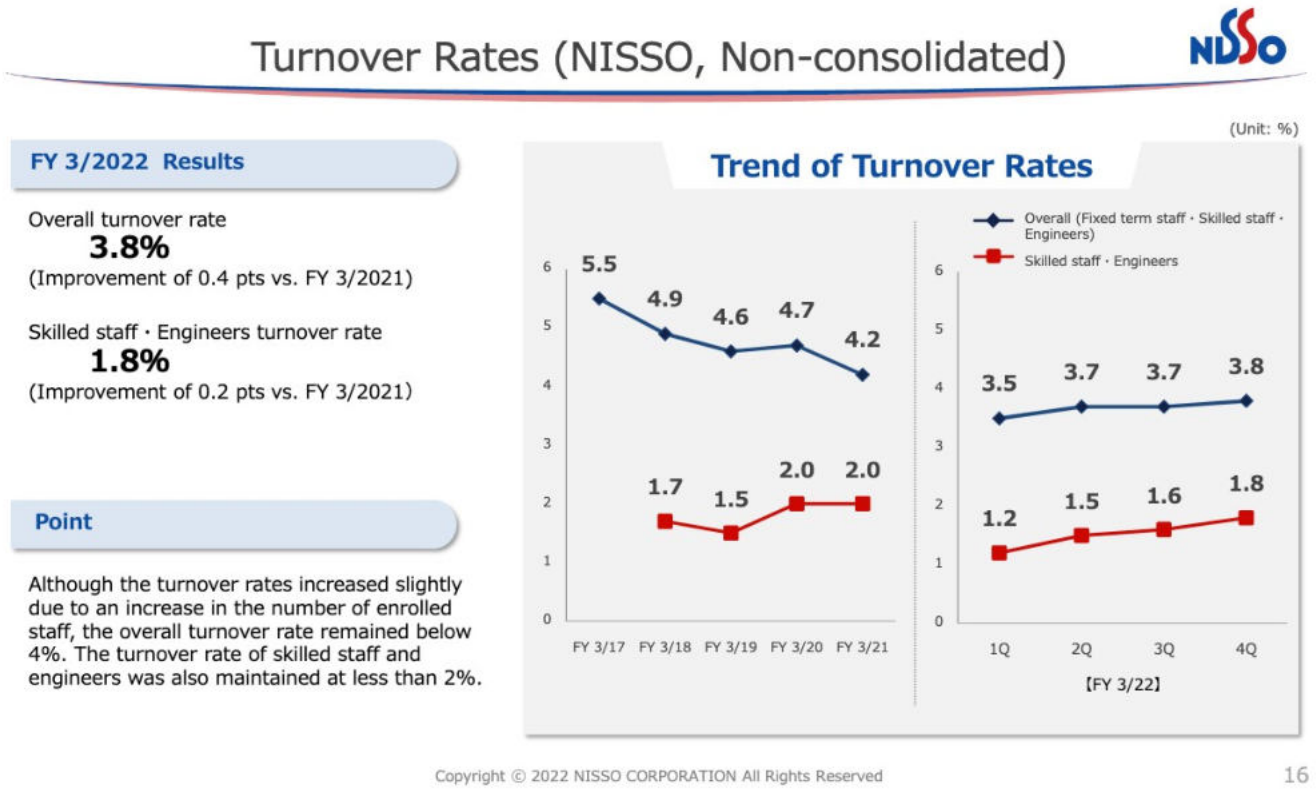
Account Companies（NISSO, Non-consolidated）



Page 15 is about the ratio of our Account Companies. When looking at the bar graph on the right side of the slide, Account Company Groups appear to be growing steadily, but in reality, they have been affected by parts shortages.

We have long been aware that the automobiles industry, in particular, uses an unexpectedly large number of passive components other than semiconductors. Of course, semiconductors are also used in semiconductor equipment. Therefore, the situation where it was difficult to bring them to finished products began to become noticeable from about the latter half of the previous fiscal year.

Turnover Rates (NISSO, Non-consolidated)



Let me explain our turnover rates, another factor that has contributed to the growth in the number of enrolled staff other than hiring.

Initially, we were in the situation where it would be OK if we could manage to get the turnover rate below 4 percent for the current fiscal year. As a result, we were able to keep the overall turnover rate down to 3.8 percent, which led to an increase in the number of enrolled staff.

Let`s say the average number of enrolled staff in the first half was about 14,500, and think about 0.2 percent of that number. From this calculation, you can see that we have saved that many people with skills from resigning, which I believe is a very good contribution to net sales and profits.

On the other hand, although the turnover rate of skilled staff has increased slightly, we have managed to keep it under 2 percent. In the future, we will be taking steps to not only maintain the turnover rate below 2 percent, but also to revise our curriculum to further reduce the turnover rate of skilled staff.

Educational Achievements(NISSO, Non-consolidated)

Educational Achievements（NISSO, Non-consolidated）

Point①

Total educational achievements of the main courses increased by 3,561 participants from the previous FY.

Point②

Due to the promotion of career changes to engineers, the number of participants for engineer education increased by 350 from the previous FY, and the number of participants for basic equipment maintenance education increased by 31 from the previous FY.

● FY 3/2022 4Q Main course-specific educational achievements (total # of participants)

(Unit: # of participants)

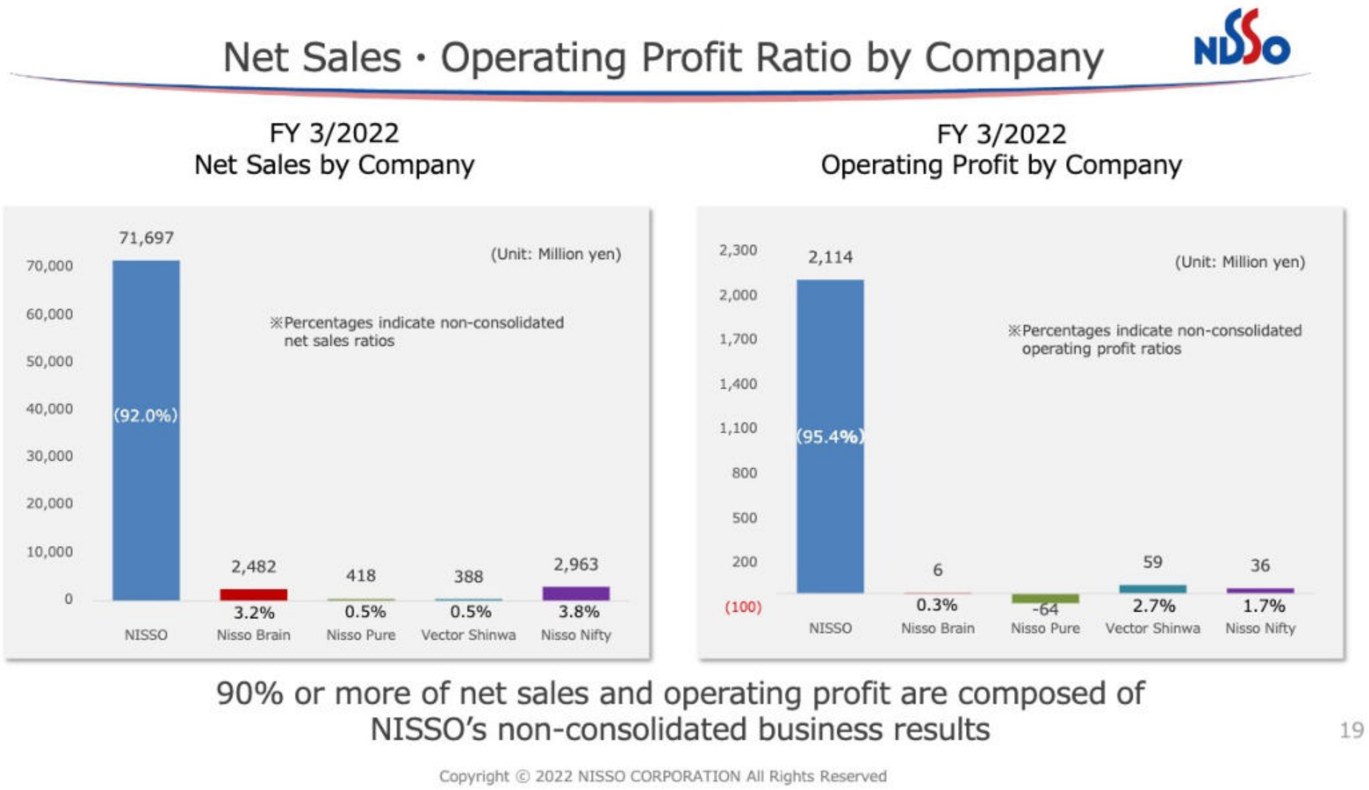
Training course name	4Q (Jan - Mar)	Contents	FY 3/22 Total	(Reference) FY 3/21 Total
Skilled staff education	457	Standard skilled staff education	1,594	970
Basic equipment maintenance education	100	Basic equipment maintenance education	290	259
Engineer education	142	Manufacturing equipment maintenance・manufacturing equipment technology Mechanical design・production technology SEAJ education (safety education specializing in semiconductors)	418	68
Manufacturing education	1,277	*MONOZUKURI* (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	5,396	2,840
Total	1,976		7,698	4,137

This section is about our educational achievements. We place particular emphasis on basic equipment maintenance education and engineer education.

Although we are stepping up efforts to increase added value, raise the unit-cost per order, and increase profitability with improved treatment for employees by promoting skills development and career changes, we have not yet been able to fully augment these efforts. One major reason for this is the impact of COVID-19.

For educational training at our technical centers, it is not possible for many people to enter the clean room due to the risk of infection. Therefore, our current challenge is to further expand our capabilities for training while incorporating new measures, such as e-learning, which we are currently addressing, VR, which is under development, and OJT (on-the-job training) at contracting sites of equipment manufacturers.

Net Sales•Operating Profit Ratio by Company



I would like to explain the performance evaluation by target segment. First, let's take a look at non-consolidated net sales by company.

The reason for the focus on NISSO is because our non-consolidated sales account for 92 percent of total consolidated net sales, and our non-consolidated operating profit accounts for 95.4 percent of total consolidated operating profit.

Vector Shinwa, shown in the table on the slide, is a company that joined our ranks in the previous fiscal year. Therefore, the bar reflects the result for just the half-year. We asked them to join us since they are in our existing areas.

Since we would like to establish a new pillar in the field of semiconductor equipment in the future, we believe that the expansion of Vector Shinwa will serve as a growth engine for NISSO in a new field.

Existing Areas

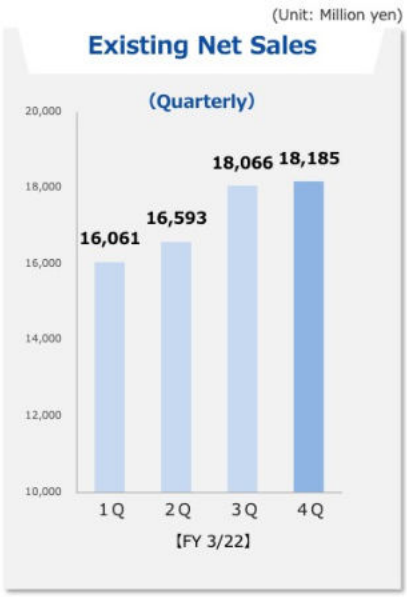
Existing Areas

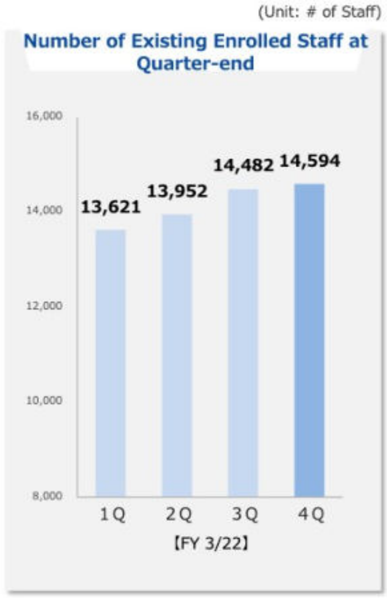
Existing Net Sales

Net sales in 4Q alone increased by 0.7% compared to 3Q, partly due to an increase in the number of enrolled staff.

Existing Enrolled Staff

The number of enrolled staff increased by 112 compared to 3Q due to the increase in the number of staff in the automobiles and electronic devices industries.





This page reflects the changes in our existing areas. The number of enrolled staff in the existing areas increased by 112 compared to the third quarter.

Here, I have something I need to disclose to you. Despite the impact of COVID-19, the earthquake, and the sudden shutdown of operations due to cyber terrorism, our existing areas have grown. It is not a bad thing for us, since we currently have accounts with all the major auto-body manufacturers.

However, due to the increased weight of the existing areas, we have been directly affected by economic fluctuations. Looking ahead, although we will continue to focus on the existing areas, we will also focus firmly on new areas through risk diversification.

The first is automotive parts and the factories related to lithium-ion batteries that will become very important in the future. We will likely be competing for lithium-ion batteries in Japan as well, and many large-scale projects are under development. We will aggressively expand and enhance this field by taking advantage of our unique position of having accounts will all lithium-ion battery factories while developing human resources at the same time.

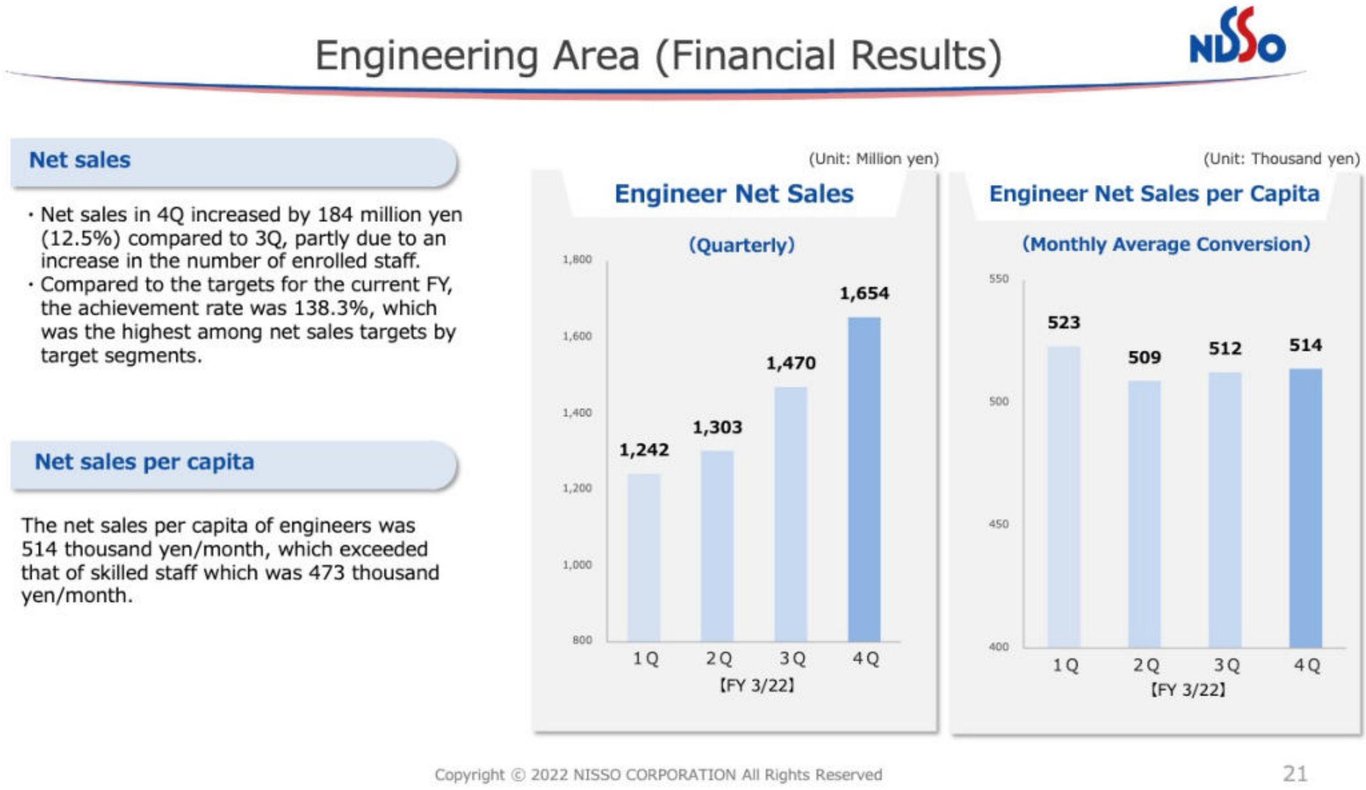
The second is semiconductor and equipment manufacturers, which have traditionally been the focus of our efforts. For semiconductor manufacturers, when acquiring new accounts, we expanded from the perspective of semiconductor equipment maintenance to an area closer to operators. In the future, we will further speed up the training of equipment maintenance staff to further increase our market share among semiconductor manufacturers.

Vector Shinwa, which I mentioned earlier, is one of the few human resources companies that can provide contracting services for semiconductor equipment manufacturers. Although it is small in scale at the moment, we will work together to increase the market share among semiconductor equipment manufacturers while jointly utilizing our human resources and education system.

For automation, we are also looking to expand our share of the market among equipment manufacturers other than robots and semiconductors by training people with a background in equipment maintenance. Therefore, we expect that the status of several companies will be changed to Account Companies at some time during the current fiscal year.

In the area of semiconductors, we are having various discussions with Kumamoto Prefecture and related companies on how to develop human resources for expansion in the Kumamoto area. We are currently in the process of preparing for full-scale operations 2 years from now.

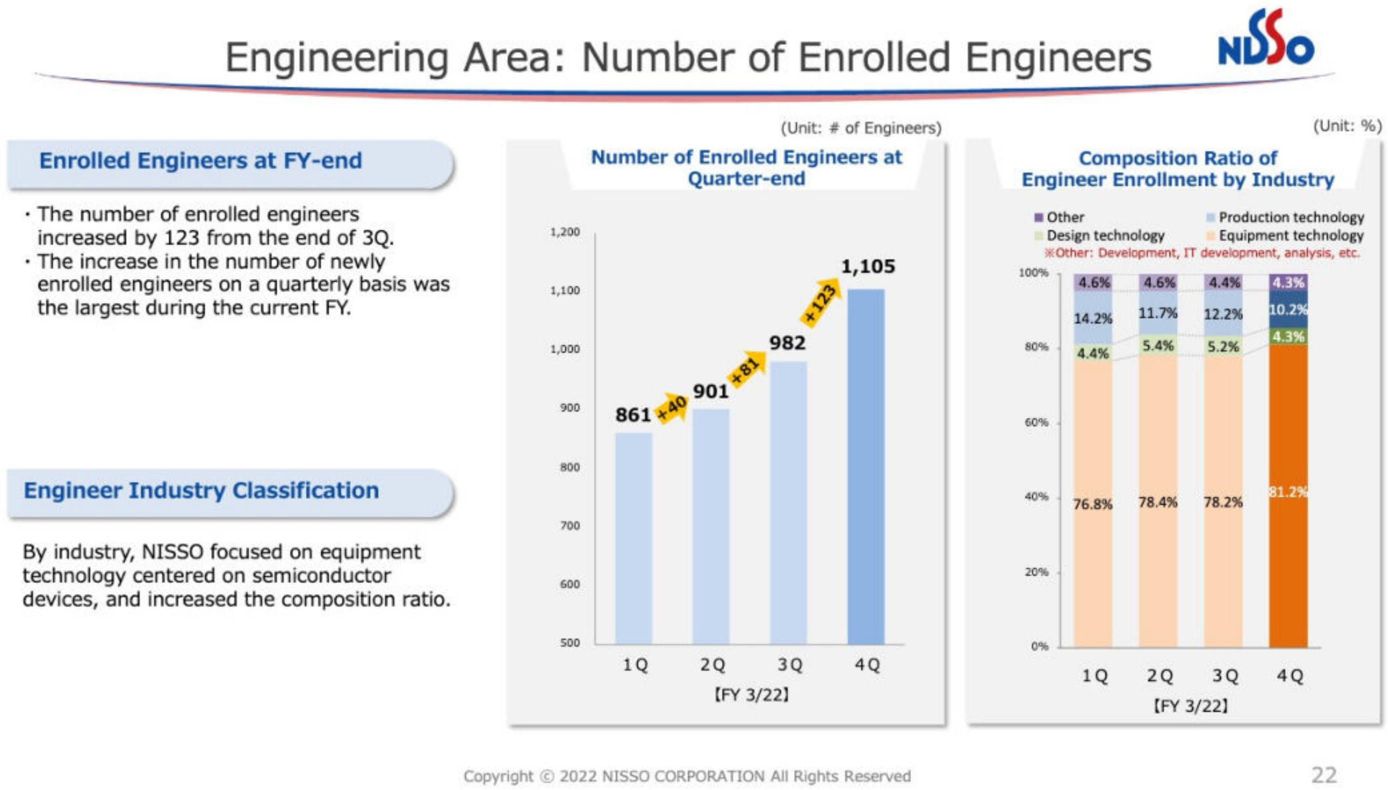
Engineering Area (Financial Results)



Let me explain the engineering area. Net sales for the fourth quarter were up 12.5 percent over the third quarter. The cumulative achievement rate was 138.3 percent, which exceeded the achievement level by 38.3 percent.

The average monthly net sales per engineer were 514,000 yen compared to 473,000 yen per skilled staff. You can see the high net sales per capita in the graph on the slide.

Engineering Area: Number of Enrolled Engineers



The number of enrolled engineers is steadily increasing. In this context, there is a reason why we focus on equipment technology centered on semiconductor devices.

The engineering area, one of our technical areas, is a newcomer. We are particularly focused on equipment technology that has an extremely close affinity with manufacturing sites. We also have a structure to train such people.

It is clear that the area of equipment maintenance will become increasingly in demand in the future. Resources are in short supply at present and are expected to become even more scarce when automation and other situations arise.

As I mentioned earlier, a major reason for our emphasis on equipment technology is that when we forge into new areas by diversifying the risks in existing areas, it will become easier to acquire new clients by introducing people with a background in equipment technology in advance.

As a future issue, let me explain a little about what we will be focusing on in the current fiscal year and beyond. Although we have been training people in the area of equipment technology for the past few years, they have just started their work and are mostly at beginner and pre-intermediate levels.

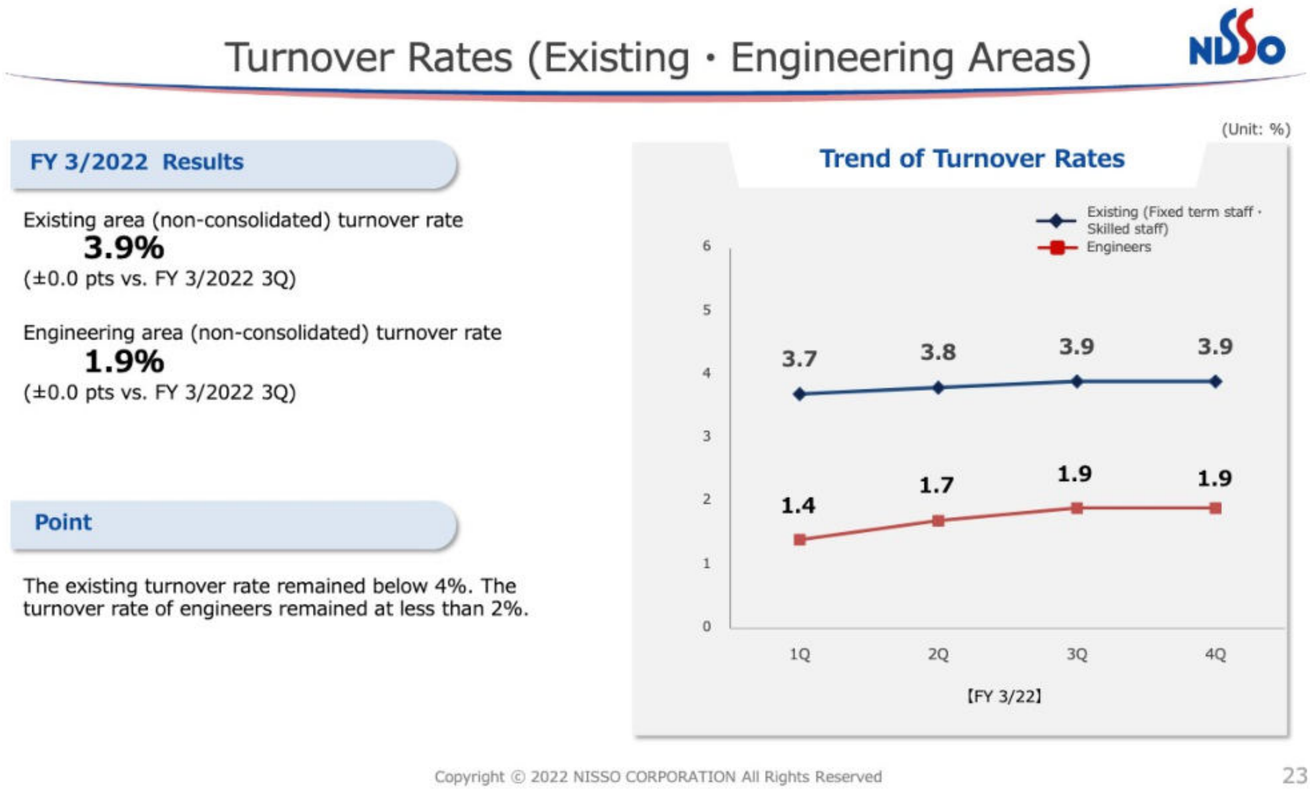
For this reason, we are now creating a structure for skills development for these people to upgrade their skills in order for them to move up to intermediate and advanced levels. The first challenge is to further expand net sales per capita by enhancing their skills.

The second challenge is how we can expand into other areas of technology. Nowadays, manufacturers are also utilizing IoT and AI. In this context, we started to work on AI education from about the second half of the previous fiscal year. We are thinking of applying this to our equipment maintenance staff, or hiring people from overseas to work in Japan as engineers while applying IT and AI skills to them.

Although the semiconductor area is expected to expand in the future, there are very few people studying and graduating in the semiconductor area in Japan today. We are trying to create a structure to train engineers in the semiconductor area through OJT as well as classroom learning.

This is also the case with the Kumamoto project, and we are negotiating with other semiconductor manufacturers or developing a curriculum. In this way, we will make full-fledged efforts to expand the number of enrolled engineers and increase sales per capita in the current and next fiscal year.

Turnover Rates（Existing•Engineering Areas）



This page is about the turnover rate of engineers. The graph on the right shows a comparison of the turnover rate for engineers with that of non-engineers, fixed-term and skilled staff combined. The turnover rate remained below 2 percent, but since we are investing a considerable amount of training in our engineers, it is not at a level where it is just enough to fall below 2 percent. We will continue to strive to reduce our turnover rates.

Other Businesses Business Revenue

Other Businesses Business Revenue

Points

- Operating profit increased by 56.6% YoY.
- Despite a slight decrease in the number of residents, profits increased due to efficient operations.
- The occupancy rate of all nursing care facilities continues to be maintained at 90% or higher.

● Results of Other Businesses

(Unit: Million yen)

	FY 3/21		FY 3/22		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	2,972	100.0%	2,963	100.0%	(9)	(0.3%)
Expenses	2,949	99.2%	2,926	98.8%	(23)	(0.8%)
Operating profit	23	0.8%	36	1.2%	13	56.6%

(Unit: # of residents)

This is the segment for our Other Businesses such as nursing care and welfare. The red line graph at the bottom of the slide shows the trends in the occupancy rate. Since the facilities are occupied by elderly people, we have to take strict measures against COVID-19. As a result, the occupancy rate is now declining.

Although not really considered as new technology, the facility utilizes web-based systems for facility previewing and communication with residents, such as Zoom.

Currently, the occupancy rate is just over 90%, but by utilizing these systems, we hope to raise it to the 95% that we are aiming for and raise profits to a higher level.

Summary(Progress of Net Sales Targets by Target Segment)

Summary (Progress of Net Sales Targets by Target Segment)

(Unit: Million yen)

	FY 3/22 Consolidated			FY 3/22 Existing Areas			FY 3/22 Engineering Area			FY 3/22 New Businesses			FY 3/22 Other Businesses		
	Full-year Target	Results	Progress rate	Full-year Target	Results	Progress rate	Full-year Target	Results	Achievement rate	Full-year Target	Results	Progress rate	Full-year Target	Results	Progress rate
Net sales	78,000	77,549	99.4%	70,400	68,907	97.9%	4,100	5,670	138.3%	500	9	1.8%	3,000	2,963	98.8%

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These graphs show the progress of net sales targets by target segment. This is the progress of the four areas that we started to address from the previous fiscal year ： Existing Areas, Engineering Area, New Businesses, and Other Businesses centered on nursing care and welfare. In existing areas, the targets have generally been achieved despite the low rates of operations. However, as I mentioned earlier, the existing areas have a serious issue with revenues.

Of the four areas, only the engineering area has been performing well in terms of net sales and profits. Other businesses, such as nursing care and welfare are as I explained earlier.

Regarding the area of new businesses, let me explain in a little more detail what kind of business we define as new businesses. To be honest, we had a fairly broad view of new businesses just about a year and a half ago, at the time we were formulating the current Medium-term Management Plan.

However, as we were sowing various seeds in line with the one year plan, we gradually began to see the considerable potential.

We see such potential in the contracting of semiconductor equipment that Vector Shinwa is engaged in, as I mentioned earlier, and in which we have almost no competitors. Although it is a derivative business from our existing business areas, we intend to firmly establish this contracting business as a new business and promote it as one of our pillars.

Nikon Nisso Prime, which I have been talking about for some time, is not necessarily about diversity management, but we are considering taking a more concrete approach to the utilization of the silver (older) generation, which is a volume zone.

In addition, we launched the recruitment platform business as a JV in March 2022, which is also derived from our existing businesses. In the recruitment platform business, we have formed a consortium with companies in our industry or with human resources companies that have an affinity with us, and have begun to work on a business that uses the platform to increase recruitment efficiency. We would also like to use a company called Leaf Nxt to improve retention and enhance recruitment efficiency by utilizing the big data accumulated there.

In the future, we also plan to use Leaf Nxt go expand our expertise, education, and human resources development structure. In addition, although there are many other businesses in those areas in which we are still sowing seeds, in this fiscal year, we would like to actively engage in IR activities at a time when we have we have some prospect of making them into businesses.

FY 3/2023 Full-year Consolidated Forecasts

FY 3/2023 Full-year Consolidated Forecasts

In the full-year consolidated forecast, although NISSO expects the effects of semiconductor and parts shortages to continue to some extent, we expect both revenue and profits to increase.

■FY 3/2023 Full-year Consolidated Forecast (April 1, 2022 ～ March 31, 2023)

(Unit: Million yen)

	FY 3/22 Results		FY 3/23 Forecast		Year-on-Year	
	Results	% of Total	Forecast	% of Total	Increase (Decrease)	% Change
Net sales	77,549	100.0%	88,600	100.0%	11,050	14.2%
Operating profit	2,087	2.7%	2,700	3.0%	612	29.4%
Ordinary profit	2,369	3.1%	2,700	3.0%	330	13.9%
Profit attributable to owners of parent	1,696	2.2%	1,800	2.0%	103	6.1%

As for the full-year consolidated forecasts, I would like to talk about our future prospects. Initially, for the second year of our Medium-term Management Plan, we projected net sales of 90 billion yen and an operating profit of 4 billion yen.

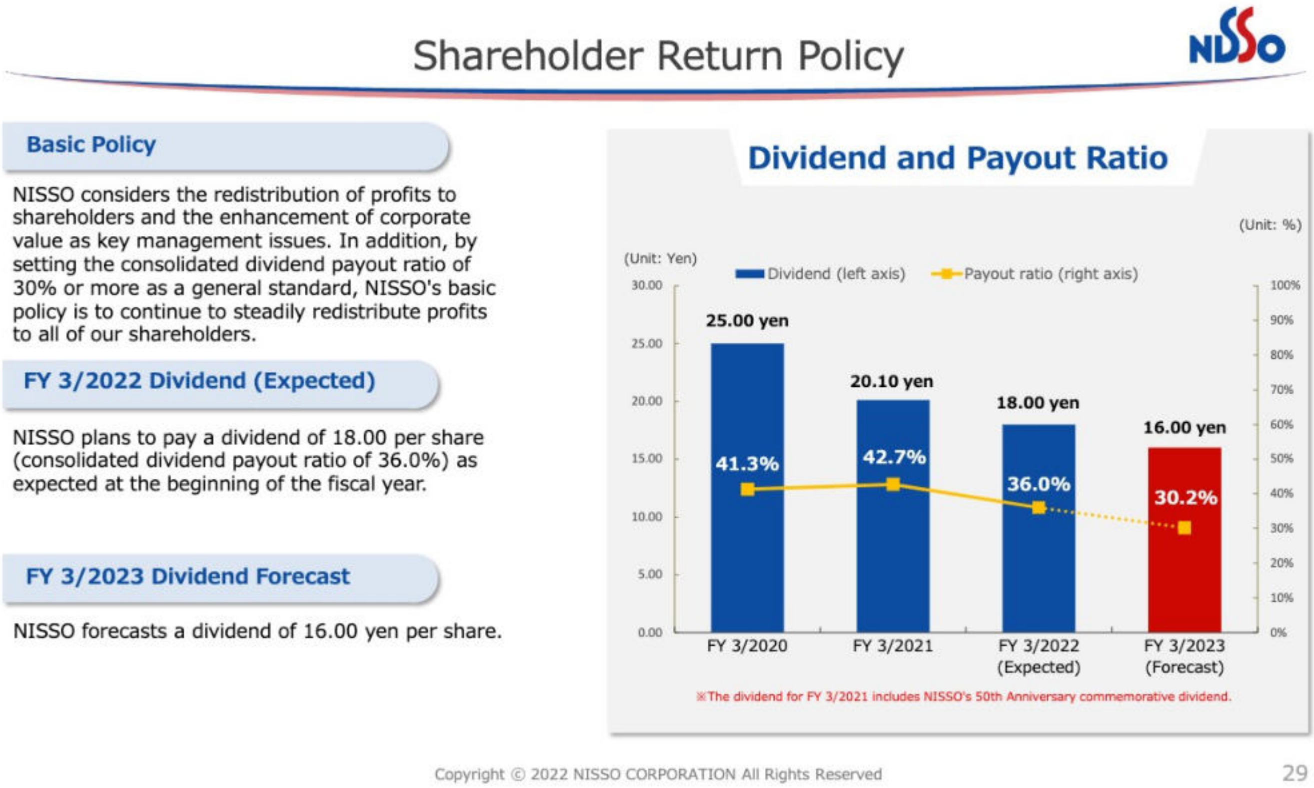
In fact, until the very last minute, I tried to create a business plan in line with these figures. Unfortunately, however, we would not be able to avoid the impact of COVID-19 this fiscal year as well. To explain the figures of the consolidated forecast at the end of the fiscal year, assuming that the level of opportunity loss I mentioned earlier was set at 100 for the previous fiscal year, I believe that there is a risk of an opportunity loss of about 80 in the current fiscal year as well.

Under the premise of the Medium-term Management Plan, consolidated net sales of 115 billion yen and operating profit of 6.7 billion yen were projected for the next fiscal year. Although I am still explaining it based on that premise, considering the current situation, it would probably be quite difficult to carry this out as it is in the next fiscal year.

Although it will be delayed by about 1 year, we are in the process of rolling out the Medium-term Management Plan once again, and re-creating a business plan that can achieve this plan.

We are steadily making preparations for its presentation so that we can explain it to everyone at the timing of the first quarter financial results briefing. Although the forecast is very disappointing and unfortunate, we plan to achieve net sales of 88.6 billion yen and an operating profit of 2.7 billion yen.

Shareholder Return Policy



Let me explain our approach to the shareholder return policy. If you look at the graph, it would appear that the dividend has been reduced every year. To explain this point a little, the dividend for FY 3/2021 includes an additional 5.00 yen as a commemorative dividend for our 50th Anniversary. Therefore, the original dividend is the amount minus 5 yen.

The dividend for FY 3/2022, was 18 yen, which is the amount we initially promised, with a payout ratio of 36 percent. For the next fiscal year, we expect to pay a dividend of 16 yen per share, for a payout ratio of 30.2 percent. This amount is in line with a payout ratio of 30 percent or more in our shareholder return policy, which we always talk about.

In view of the recovery from the COVID-19 pandemic and various other factors in the future, we consider the earnings forecast presented earlier as the minimum. However, I would like to take this opportunity to express our intention to make efforts in the future to pay out dividends at a level of 18 yen or more.

Consolidated Balance Sheet

Consolidated Balance Sheet

NISSO

(Unit: Million yen, %)

	Mar. 2021-end		Mar. 2022-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	**14,813**	**68.5**	**19,068**	**69.4**	**4,254**
Cash and deposits	5,873	27.2	8,779	32.0	2,905
Notes and accounts receivable - trade	8,094	37.4	9,390	34.2	1,296
Non-current assets	**6,817**	**31.5**	**8,394**	**30.6**	**1,577**
Property, plant and equipment	4,654	21.5	4,578	16.7	(76)
Intangible assets	305	1.4	1,667	6.1	1,361
Investments and other assets	1,857	8.6	2,149	7.8	292
Total assets	**21,631**	**100.0**	**27,462**	**100.0**	**5,831**
Current liabilities	**8,178**	**37.8**	**10,411**	37.9	2,232
Current portion of long-term loans payable	-	0.0	490	1.8	490
Accrued expenses	4,541	21.0	5,381	19.6	839
Provision for bonuses	950	4.4	1,058	3.9	108
Non-current liabilities	**689**	**3.2**	**3,492**	**12.7**	**2,802**
Long-term loans payable	-	0.0	2,509	9.1	2,509
Total liabilities	**8,868**	**41.0**	**13,903**	**50.6**	**5,035**
Shareholders' equity	**12,744**	**58.9**	**13,540**	**49.3**	**796**
Total net assets	**12,763**	**59.0**	**13,559**	**49.4**	**796**
Total liabilities and net assets	**21,631**	**100.0**	**27,462**	**100.0**	**5,831**

Point

①Increase in the number of staff in operation
Due to the increase in the number of staff operating in the manufacturing-related human resources services, "notes and accounts receivable - trade" of current assets and "accrued expenses" of current liabilities increased.

②Business combinations, etc.
As a result of the establishment of a new subsidiary with the acquisition of shares, "intangible assets" increased.

③Financing
New borrowings from financial institutions resulted in increases in "current portion of long-term loans payables" of current liabilities and "long-term loans payable" of non-current liabilities.

④Overall
As a result of the above, total assets increased by 27.0% YoY, total liabilities increased by 56.8% YoY, total net assets increased by 6.2% YoY, equity ratio decreased by 9.6% YoY to 49.4%.

From here onward are the supplementary materials. The supplementary materials consist of the consolidated balance sheet and the statement of cash flows. Please review these at your own convenience.

We have been implementing various growth strategies and taking various measures, making good progress in recruitment, industries, new areas, and areas such as engineering, but I think the biggest bottleneck is the shortage of parts due to the impact of COVID-19.

Some believe that the recovery will start in the second half of this fiscal year. However, as I mentioned earlier, the plan is based on the premise that the impact will be about 80% of that in FY 3/2022, so some may argue that our forecast is somewhat conservative.

I have provided quarterly explanations based on the information we gathered from our clients in the previous fiscal year. However, we have come to the conclusion that since it is very difficult to predict the future and because there are many uncertain factors, we have provided such a conservative forecast.

With the determination to make upward revisions rather than downward revisions this fiscal year, we will all work together to forge ahead with our business operations. We would like to kindly ask you for your continued support and guidance.

That will be all for now. Thank you very much for your undivided attention.