



*Nurturing and
Bringing Out the
Best in People*

日総工産株式会社
NISSO CORPORATION
TSE Prime Market Code:6569

First Six Months of FY 3/2023

Financial Results Briefing Materials

November 10, 2022

Summary

FY 3/2023 2Q Results

- Revenue increased and profits decreased year-on-year
- Demand for manufacturing-related human resources was steady, and the number of enrolled staff increased
- Engineer needs were strong, net sales increased YoY
- Operations in the automobiles-related industry recovered moderately
- Although demand for components related to PCs and communication equipment for electronic devices declined, demand for semiconductors continued
- Recruitment competition in labor markets escalated, recruitment activities were strengthened

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First Six Months of FY 3/2023 (2Q) Financial Results Summary

FY 3/2023 2Q Consolidated Financial Results Highlights

(Unit: Million yen)

Points

- Revenue increased due to an increase in the number of enrolled staff and an increase in billing unit-costs.
- Gross margin declined due to continued impact of reduced operations (number of working days, overtime hours, holiday work, etc.) as a result of parts shortages such as shortages of semiconductors in the automobiles-related industry.
- Profits decreased due to continued investment in recruitment, including strengthening of promotions, increased SG&A expenses, and a decline in gross margin.
- Other Businesses (nursing care · welfare services) increased revenue and decreased profits.

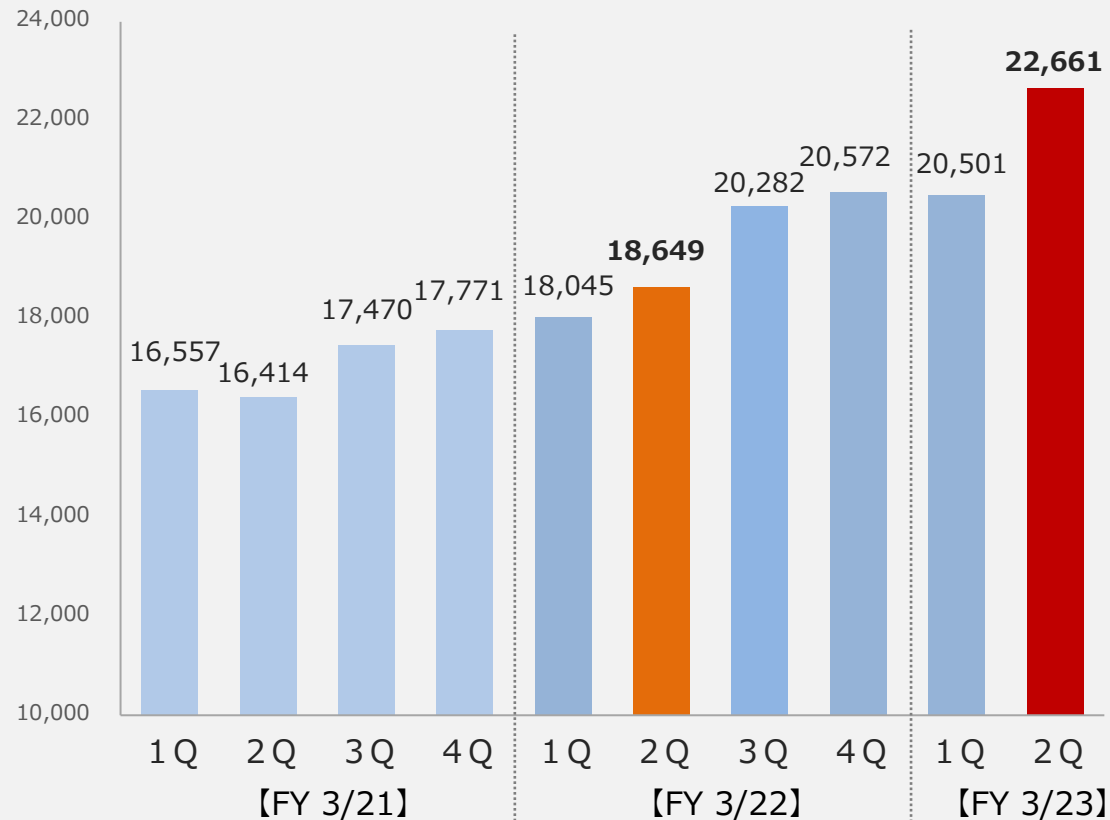
| | FY 3/2022 2Q | | FY 3/2023 2Q | | Year-on-Year | |
|--|---------------|------------|---------------|------------|---------------------|----------|
| | Results | % of Total | Results | % of Total | Increase (Decrease) | % Change |
| Net sales | 36,694 | 100.0% | 43,162 | 100.0% | 6,468 | 17.6% |
| Gross profit | 6,035 | 16.4% | 6,587 | 15.3% | 552 | 9.2% |
| SG&A expenses | 5,211 | 14.2% | 6,077 | 14.1% | 866 | 16.6% |
| Operating profit | 824 | 2.2% | 510 | 1.2% | (314) | (38.1%) |
| Ordinary profit | 908 | 2.5% | 582 | 1.3% | (325) | (35.9%) |
| Profit attributable to owners of parent | 587 | 1.6% | 347 | 0.8% | (240) | (40.9%) |

FY 3/2023 Quarterly Consolidated Financial Results



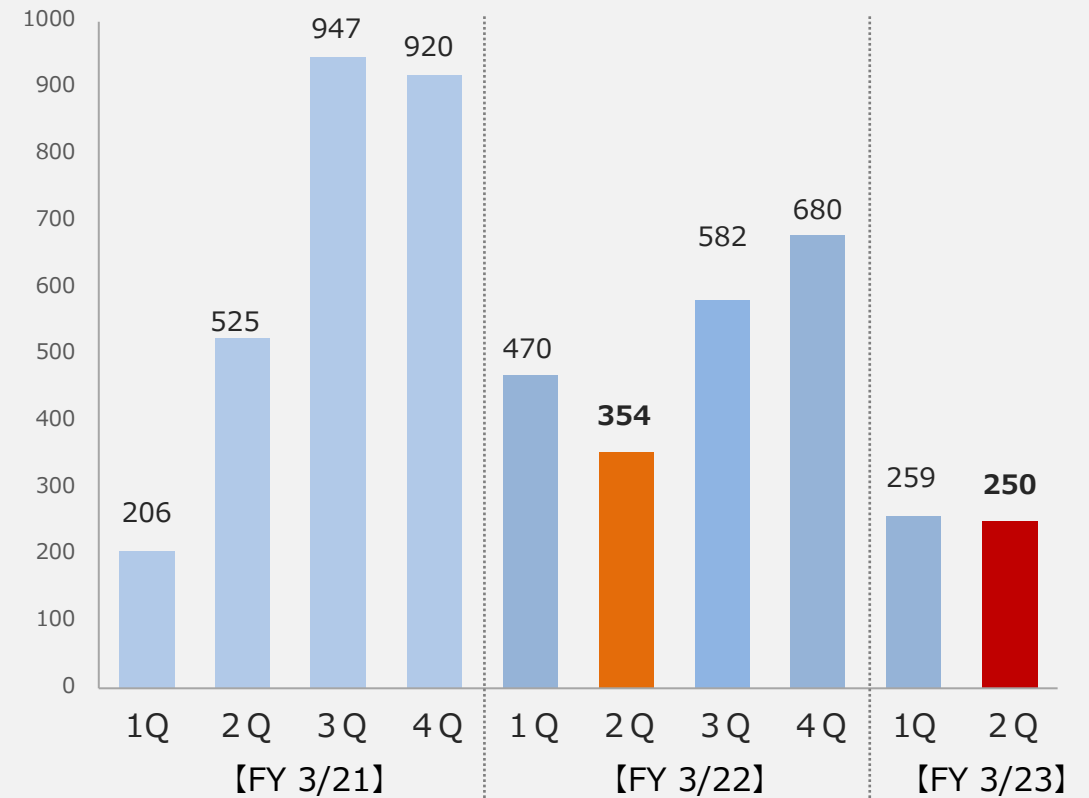
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



FY 3/2023 2Q Non-consolidated Financial Results Highlights



Net sales

Net sales increased by 14.4% due to an increase in the number of enrolled staff and an increase in billing unit-costs.

Expenses · Profits

- The impact of reduced operations (number of working days, overtime hours, holiday work, etc.) due to parts shortages such as shortages of semiconductors in the automobiles-related industry, continued.
- Demand for manufacturing-related human resources was strong, and gross margin declined due to the strengthening of recruitment benefits (incentives).
- Continued investment in recruitment, including strengthening of promotions, increased SG&A expenses.

(Unit: Million yen)

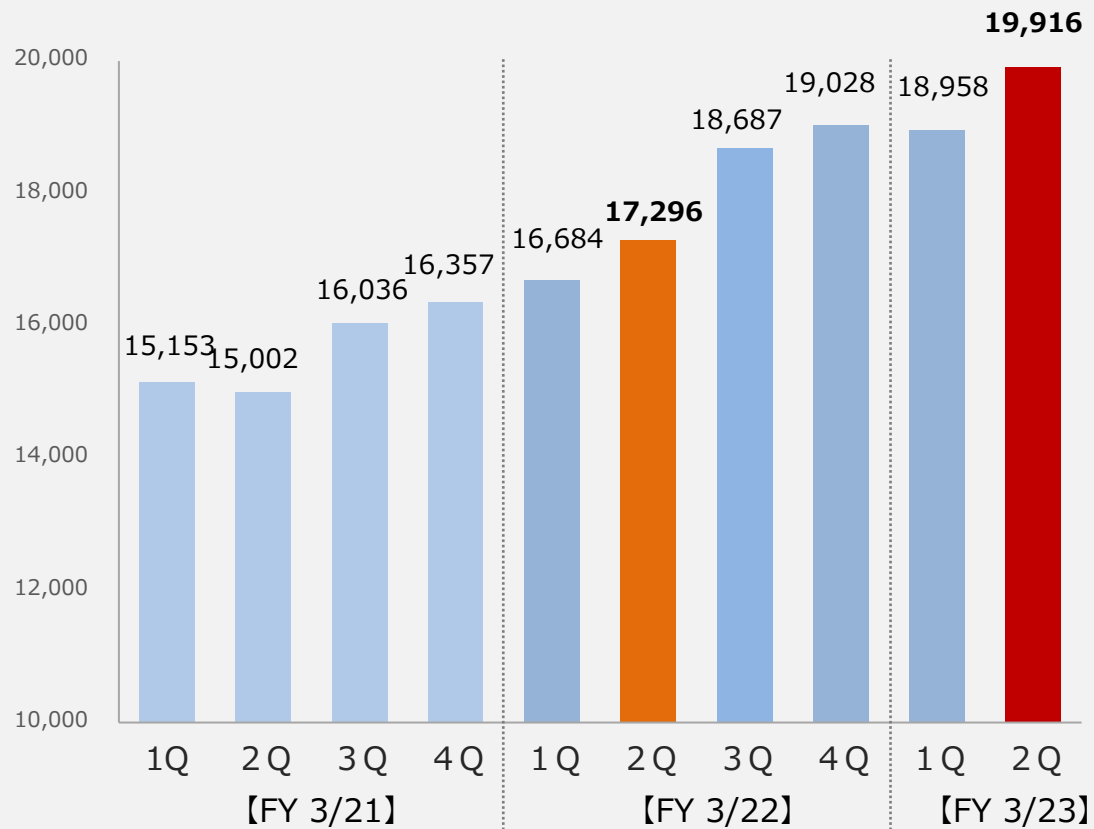
| | FY 3/2022 2Q | | FY 3/2023 2Q | | Year-on-Year | |
|--------------------------|---------------|------------|---------------|------------|---------------------|----------|
| | Results | % of Total | Results | % of Total | Increase (Decrease) | % Change |
| Net sales | 33,981 | 100.0% | 38,875 | 100.0% | 4,893 | 14.4% |
| Gross profit | 5,780 | 17.0% | 6,137 | 15.8% | 356 | 6.2% |
| SG&A expenses | 4,917 | 14.5% | 5,582 | 14.4% | 664 | 13.5% |
| Operating profit | 863 | 2.5% | 554 | 1.4% | (308) | (35.7%) |
| Ordinary profit | 888 | 2.6% | 627 | 1.6% | (260) | (29.3%) |
| Profit | 571 | 1.7% | 385 | 1.0% | (186) | (32.6%) |

FY 3/2023 Quarterly Non-consolidated Financial Results



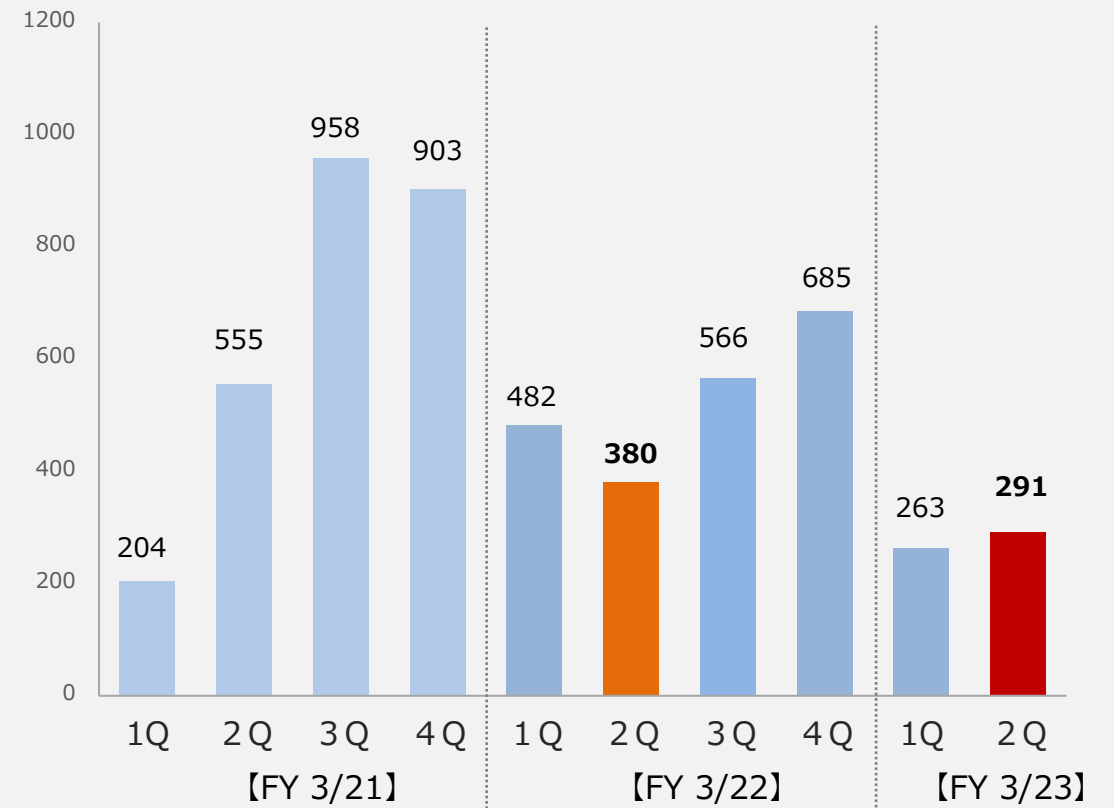
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit





2

First Six Months of FY 3/2023 (2Q) Overview of Activities

FY 3/2023 2Q Financial Results Summary



Consolidated Financial Results

| | | |
|-------------------------|---------------------------|-----------------------------|
| Net Sales | 43,612 Million yen | (6,468 Million yen / 17.6%) |
| Operating Profit | 510 Million yen | (-314 Million yen / -38.1%) |

Non-consolidated Financial Results

● Net Sales by Industry (YoY)

| | |
|--------------------|------------|
| Automobiles | ... +15.9% |
| Electronic devices | ... +17.2% |

- In the automobiles-related industry, net sales increased by 15.9% YoY. Net sales increased due to an increase in the number of enrolled staff and an increase in billing unit-costs, despite the continued impact of reduced operations as a result of parts shortages such as shortages of semiconductors.
- In the electronic devices-related industry, net sales increased by 17.2% YoY. Demand for semiconductors continued despite a decline in demand for components related to PCs and communication equipment. Net sales increased due to an increase in the number of enrolled staff and an increase in the billing unit-costs.

● 2Q-end Number of Enrolled Staff

15,730 staff
(+785 staff from FY 3/22-end)

- The number of enrolled staff increased by 785 compared to FY 3/22-end. The number of enrolled staff increased mainly in the automobiles and electronic devices industries.

● Net Sales per Capita/Monthly

418 Thousand yen
(+11 Thousand yen YoY)

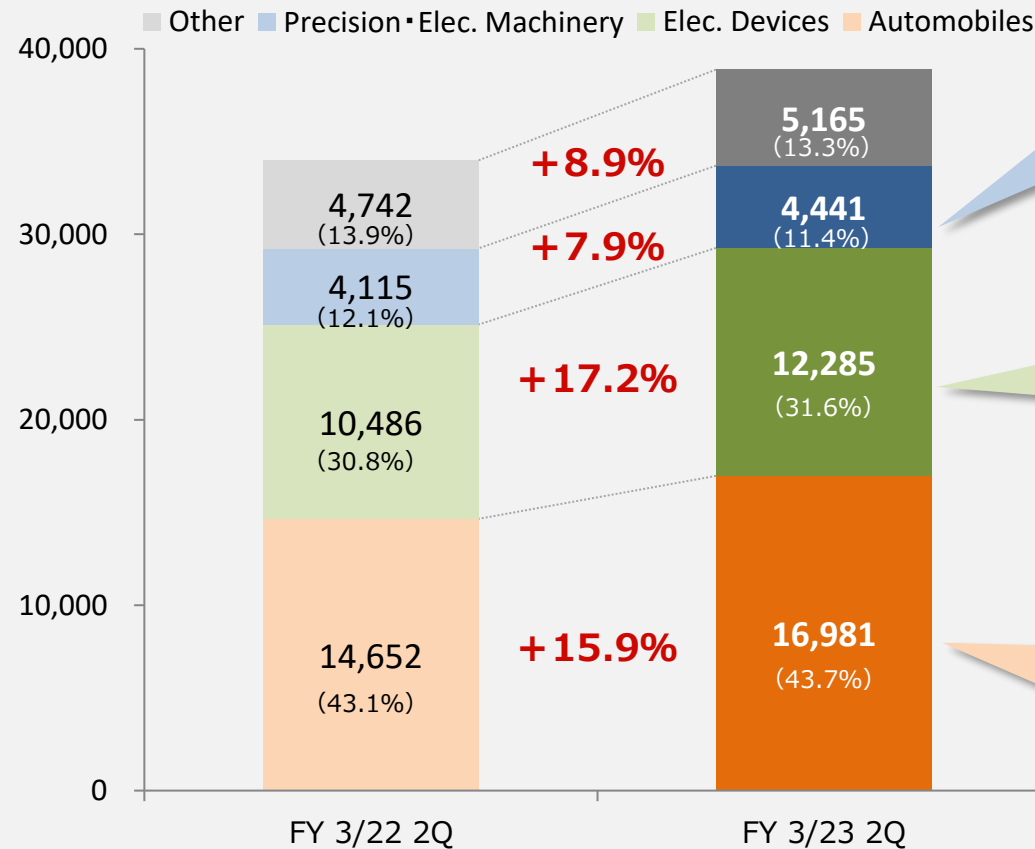
- Net sales per capita increased due to the continued impact of reduced operations as a result of parts shortages such as shortages of semiconductors in the automobiles-related industry, as well as an increase in billing unit-costs.

FY 3/2023 2Q Net Sales by Industry (NISSO, Non-consolidated)



(Unit: Million yen)

Net Sales Composition Ratios



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

【Precision · Electrical Machinery】

Net sales increased by 7.9% YoY. Net sales increased partly due to a gradual increase in the number of enrolled staff.

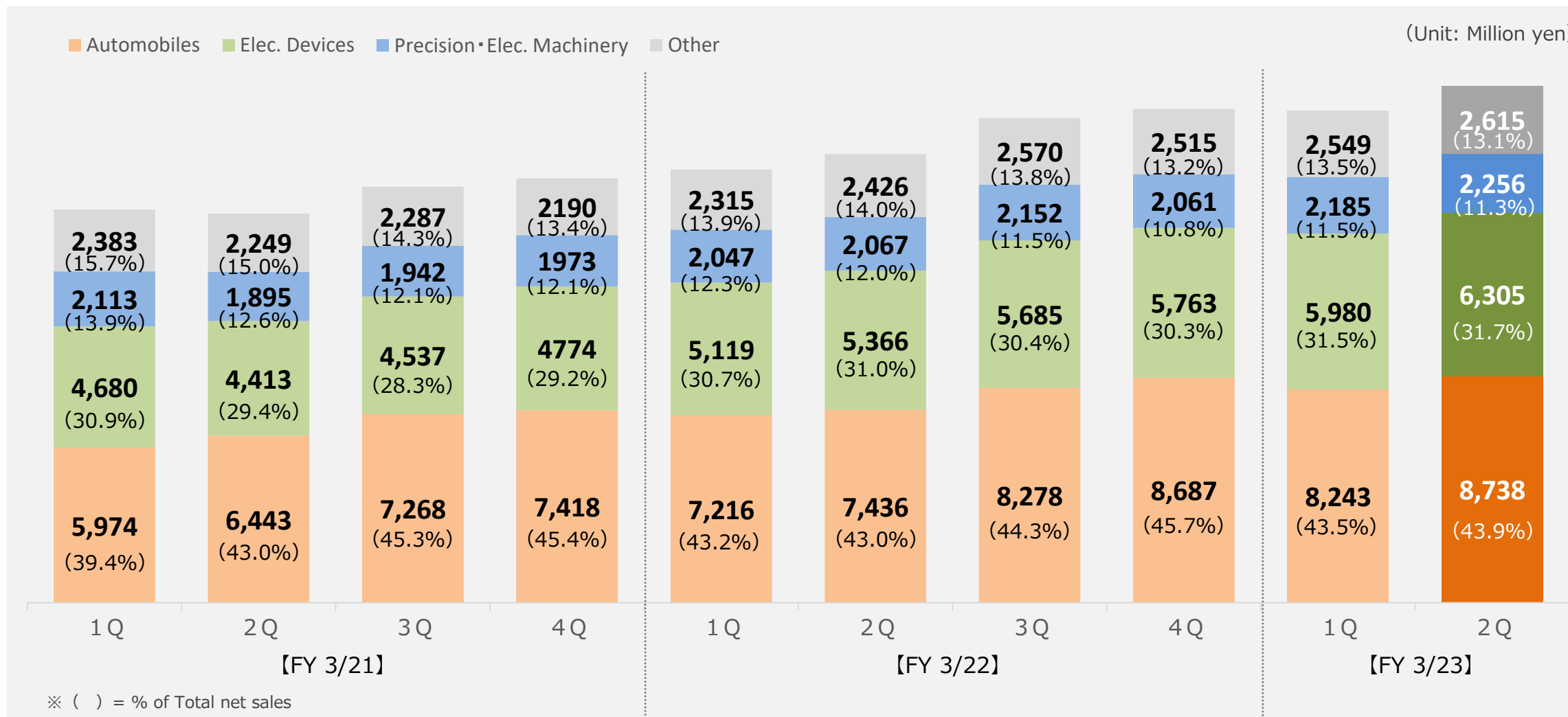
【Electronic Devices】

Net sales increased by 17.2% YoY. Despite a decline in demand for components related to PCs and communication equipment, the number of enrolled staff increased due to continued demand for semiconductors, and a continuous increase in billing unit-costs. As a result, net sales in 2Q reached a record high since NISSO's listing.

【Automobiles】

Net sales increased by 15.9% YoY. Despite the continued impact of reduced operations (number of working days, overtime hours, holiday work, etc.) due to parts shortages such as shortages of semiconductors, human resource needs remained firm, and the number of enrolled staff increased. Due to the continuous increase in billing unit-costs, net sales in 2Q reached a record high since NISSO's listing.

FY 3/2023 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



Account Companies (NISSO, Non-consolidated)



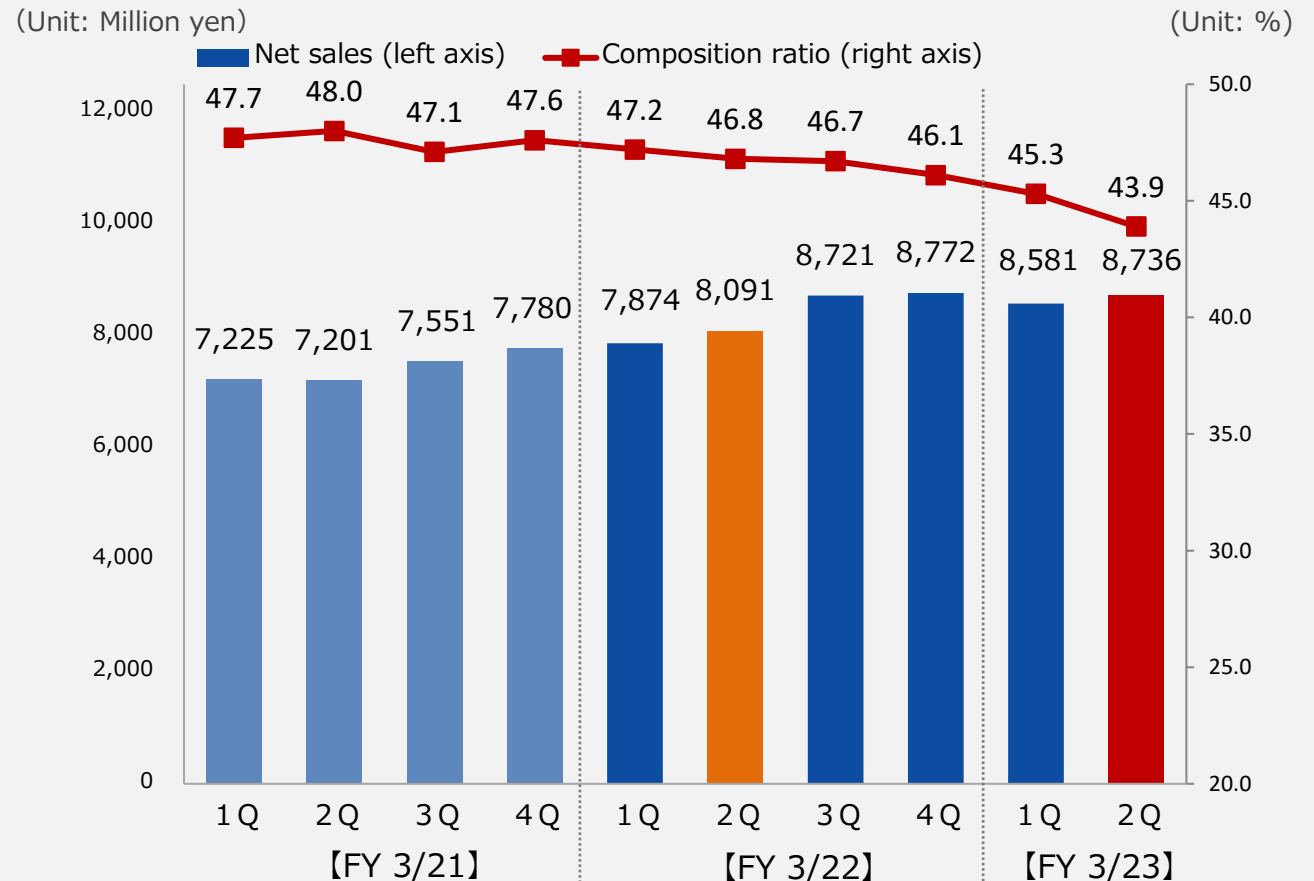
Point①

Account Company Group net sales in 2Q reached a record high since NISSO's listing.

Point②

- Net sales increased due to an increase in the number of staff in the automobiles and semiconductor-related industries and an increase in billing unit-costs.
- In the automobiles-related company group, the impact of reduced operations (number of working days, overtime hours, holiday work, etc.) due to parts shortages such as shortages of semiconductors continued.
- The composition ratio decreased YoY partly due to the decrease in demand for PCs and mobile terminals in the electronic devices-related company group and the expansion of non-account business partners.

Account Company Groups Net Sales



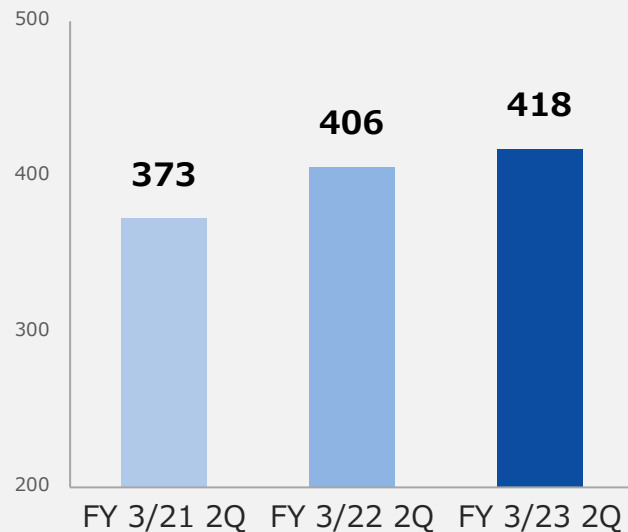
Net Sales per Capita/Month (NISSO, Non-consolidated)

- FY 3/2023 2Q YTD <Overall net sales per capita> 418 Thousand yen (+11 Thousand yen YoY)
- Net sales per capita increased YoY partly due to the continued impact of reduced operations as a result of parts shortages such as shortages of semiconductors, as well as an increase in billing unit-costs.

(Unit: Thousand yen)

Net Sales per Capita/Month

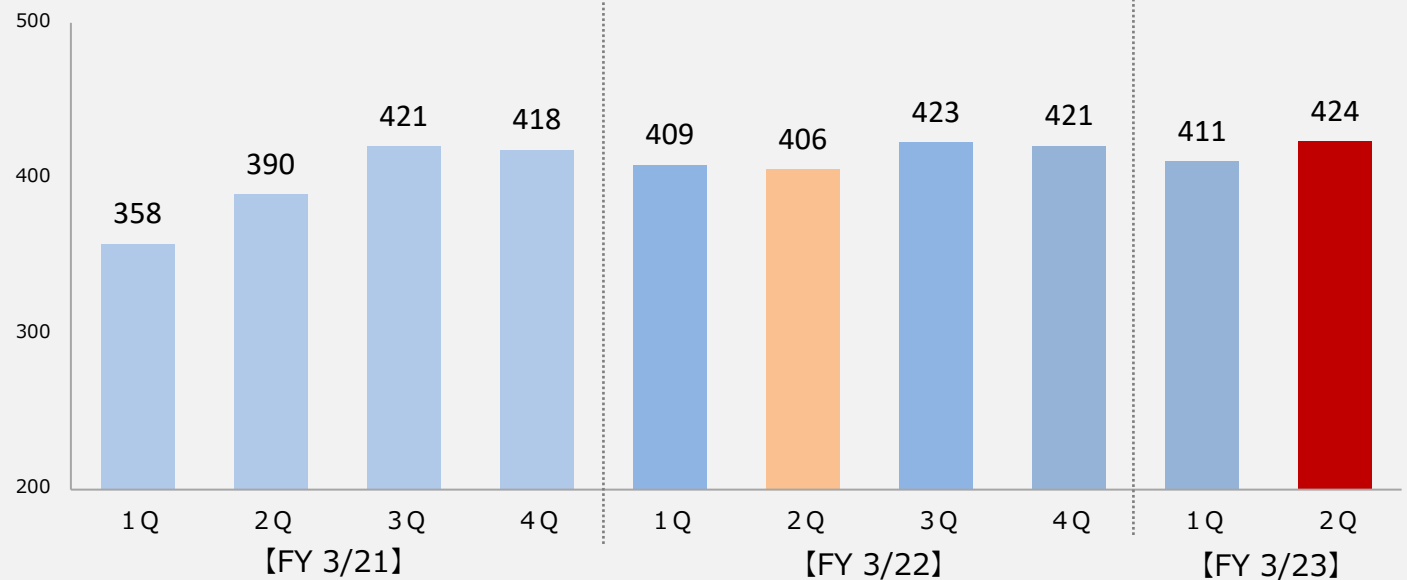
(Monthly Average Conversion)



(Unit: Thousand yen)

Net Sales per Capita/Month

(Quarterly)



Number of Enrolled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Compared w. Previous FY-end

+785 staff (+5.3%)

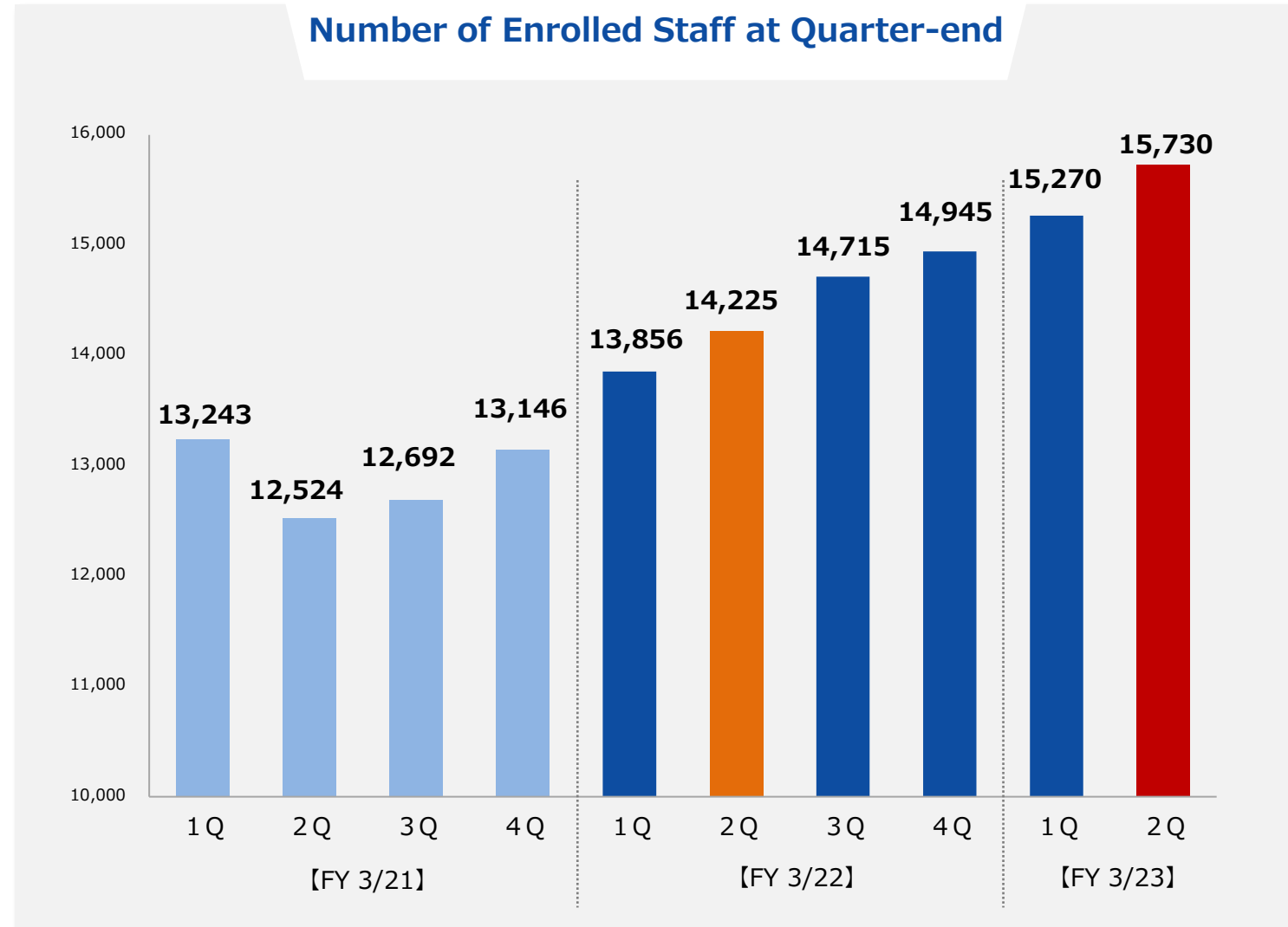
Point①

Human resources needs continued to be strong, and although recruitment competition escalated, the number of enrolled staff increased steadily, partly due to the strengthening of promotions such as TV commercials.

Point②

The number of enrolled staff reached a record high since NISSO's listing.

Number of Enrolled Staff at Quarter-end



Educational Achievements (NISSO, Non-consolidated)



Point①

The number of participants increased due to the increase in the number of engineers and the efficient use of training facilities.

Point②

In order to respond to the shortage of human resources at semiconductor-related companies, NISSO announced plans to open our 9th training facility nationwide in Kumamoto Prefecture.

※Please refer to Topics for more details.

- FY 3/2023 2Q Main course-specific educational achievements (total # of participants)

(Unit: # of participants)

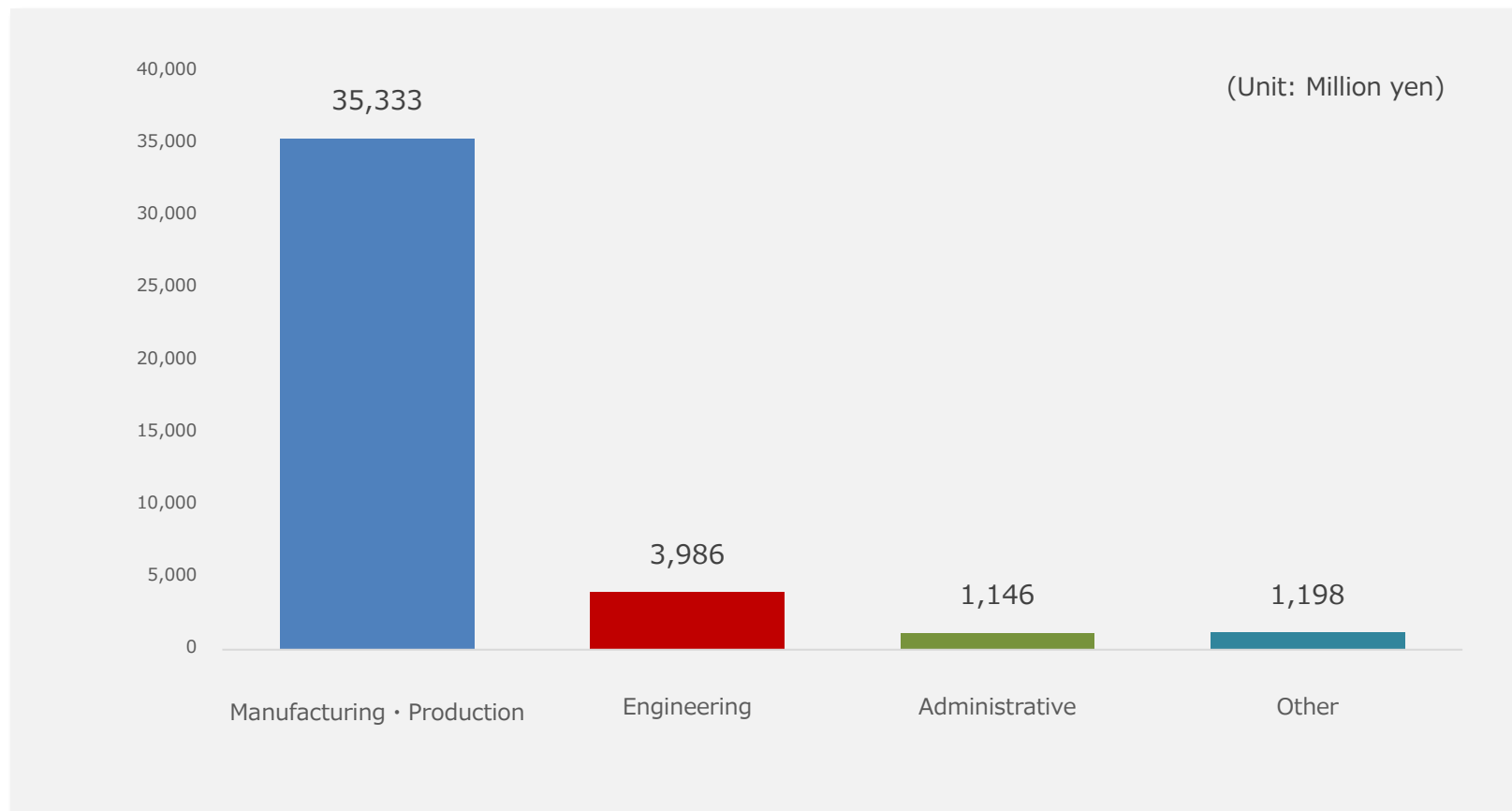
| Training course name | Contents | FY 3/22 2Q (Jul~Sep) | FY 3/23 2Q (Jul~Sep) | Year-on-Year Increase (Decrease) |
|---------------------------------------|---|----------------------|----------------------|----------------------------------|
| Basic equipment maintenance education | Basic equipment maintenance education | 62 | 147 | + 85 |
| Engineer education | Manufacturing equipment maintenance · manufacturing equipment technology Mechanical design · production technology SEAJ education (safety education specializing in semiconductors) | 79 | 283 | + 204 |
| Manufacturing education | MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education | 1,369 | 1,515 | + 146 |
| | Total | 1,510 | 1,945 | + 435 |



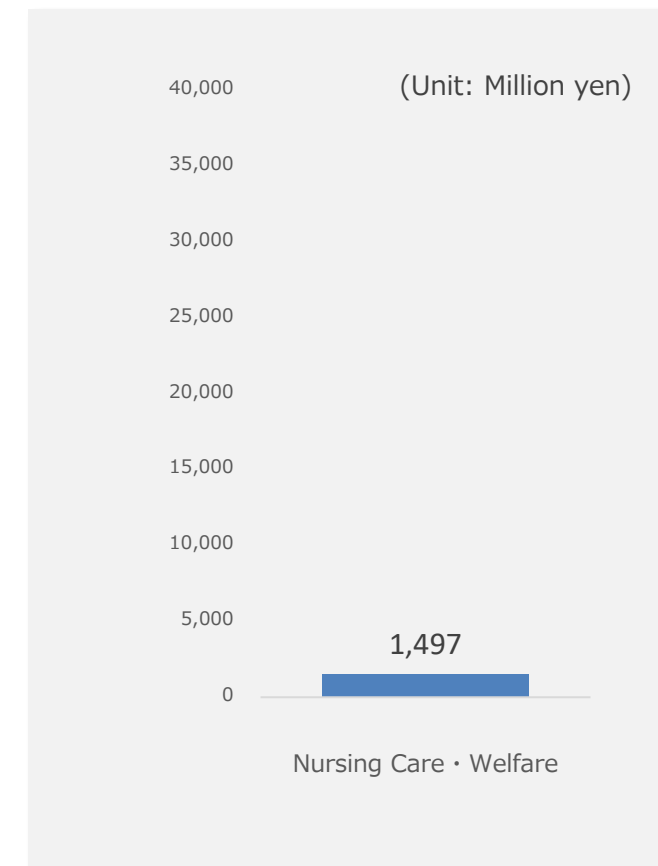
3 Financial Results by Segment (First Six Months of FY 3/2023 (2Q))

Net Sales by Segment (Services)

FY 3/2023 2Q
General Human Resources Services Business



FY 3/2023 2Q
Other Businesses



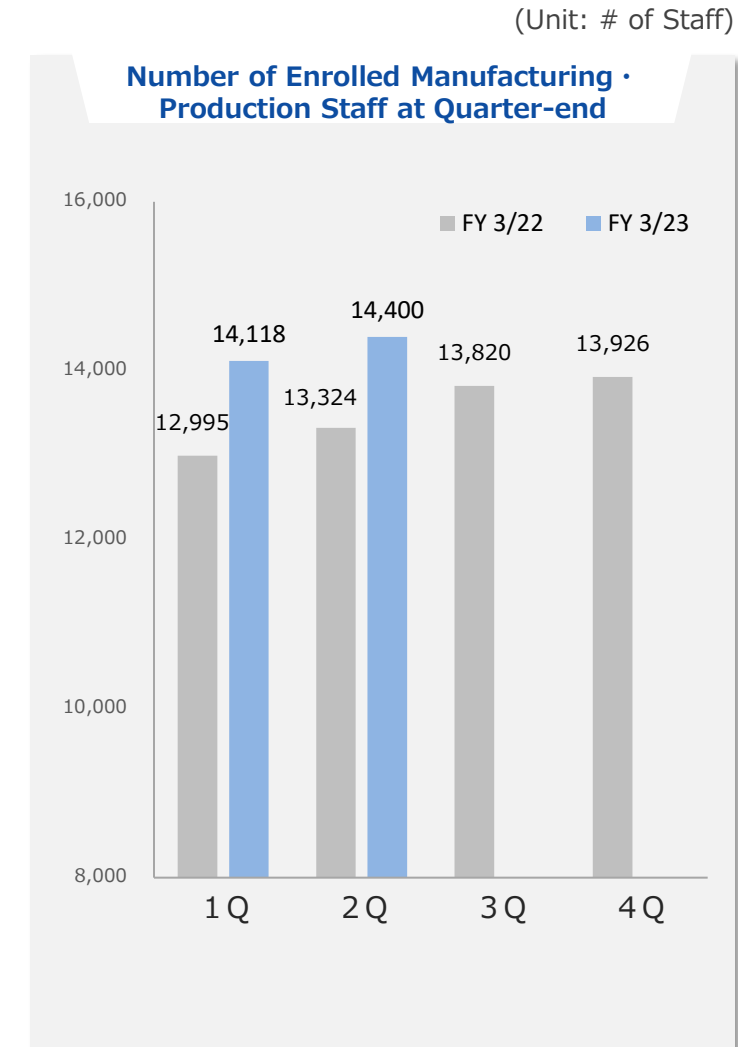
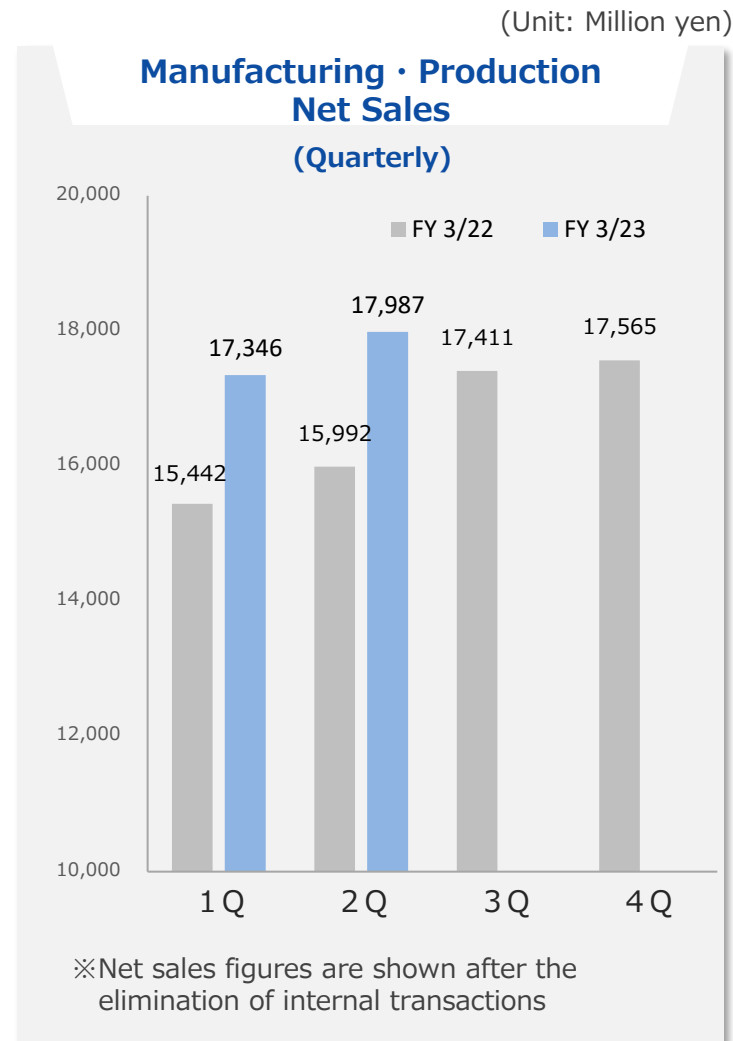
※Net sales figures are shown after the elimination of internal transactions

Net Sales

Manufacturing · production net sales in 2Q increased by 12.5% YoY, partly due to a steady increase in the number of enrolled staff.

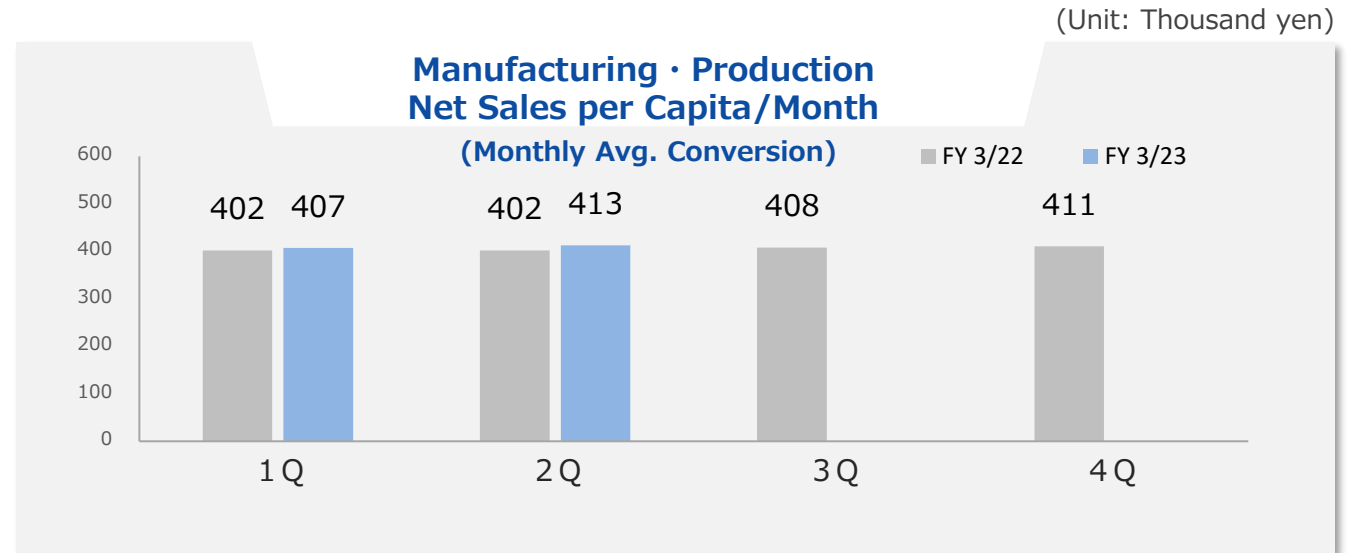
Number of Enrolled Staff

The number of enrolled manufacturing · production staff increased by 1,076 YoY. Needs for human resources in manufacturing · production were strong, and the number of enrolled staff steadily increased due to the strengthening of promotions such as TV commercials.



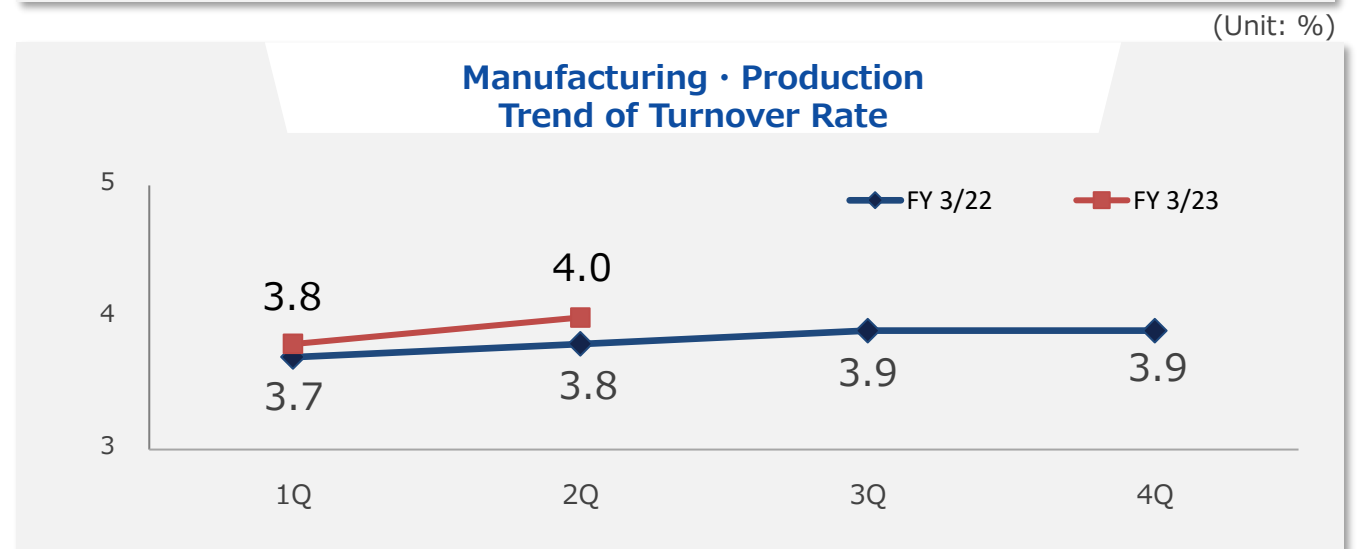
Net Sales per Capita/Month

Manufacturing · production net sales per capita increased by 2.7% YoY.



Turnover Rate

Although the manufacturing · production turnover rate increased by 0.2 pts YoY, it remained within 4%.



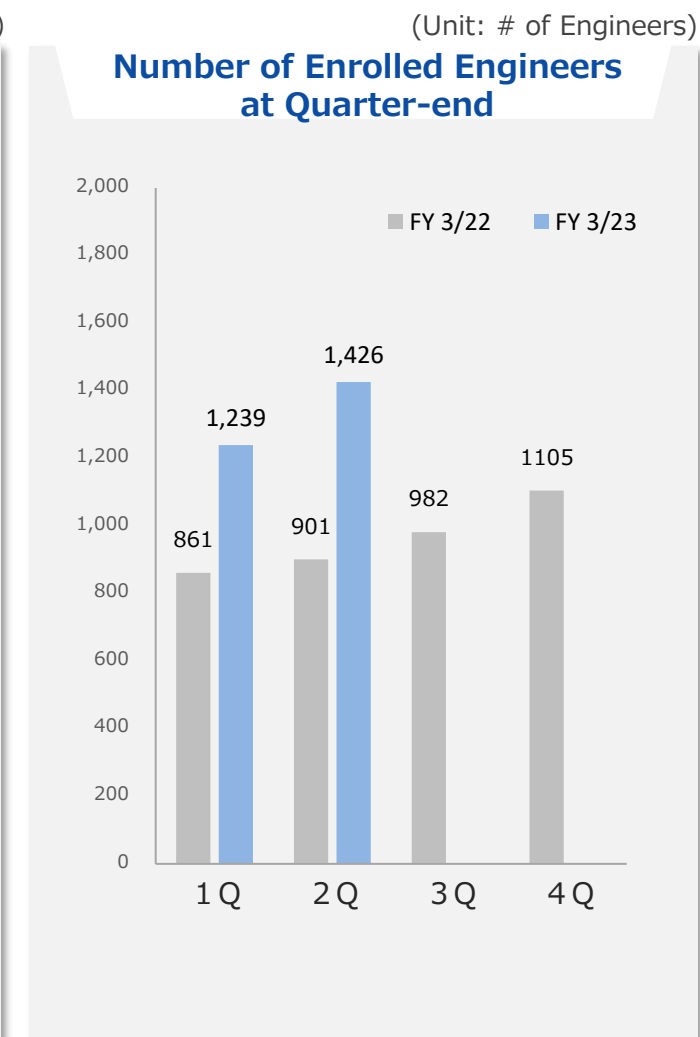
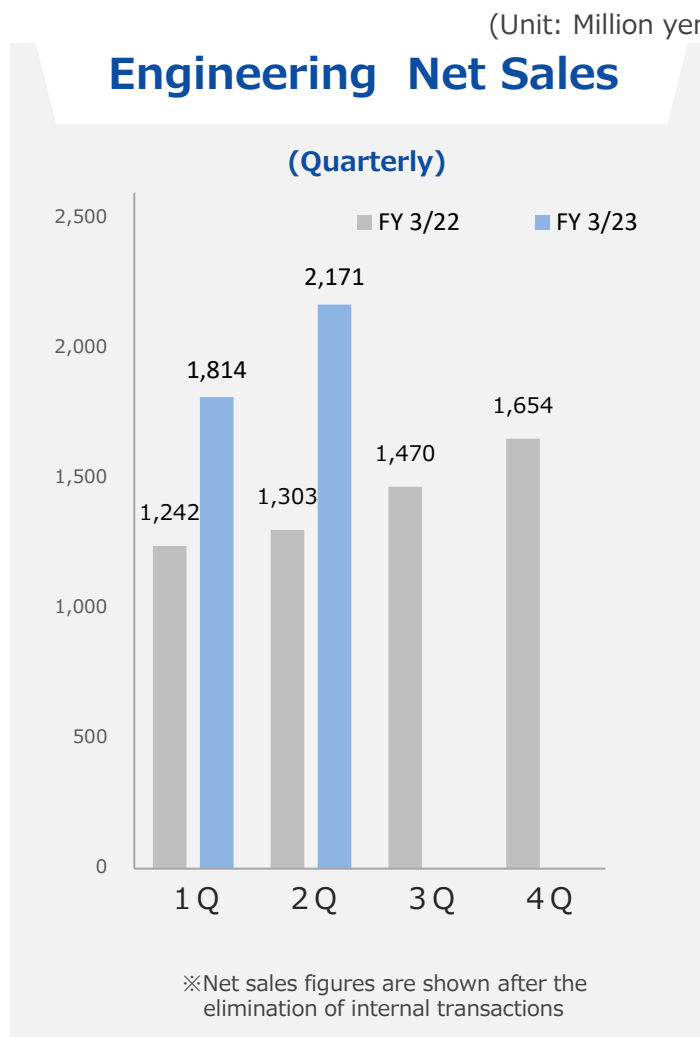
Engineering Human Resources Services

Net Sales

Engineering net sales in 2Q increased by 66.6% YoY.

Number of Enrolled Engineers

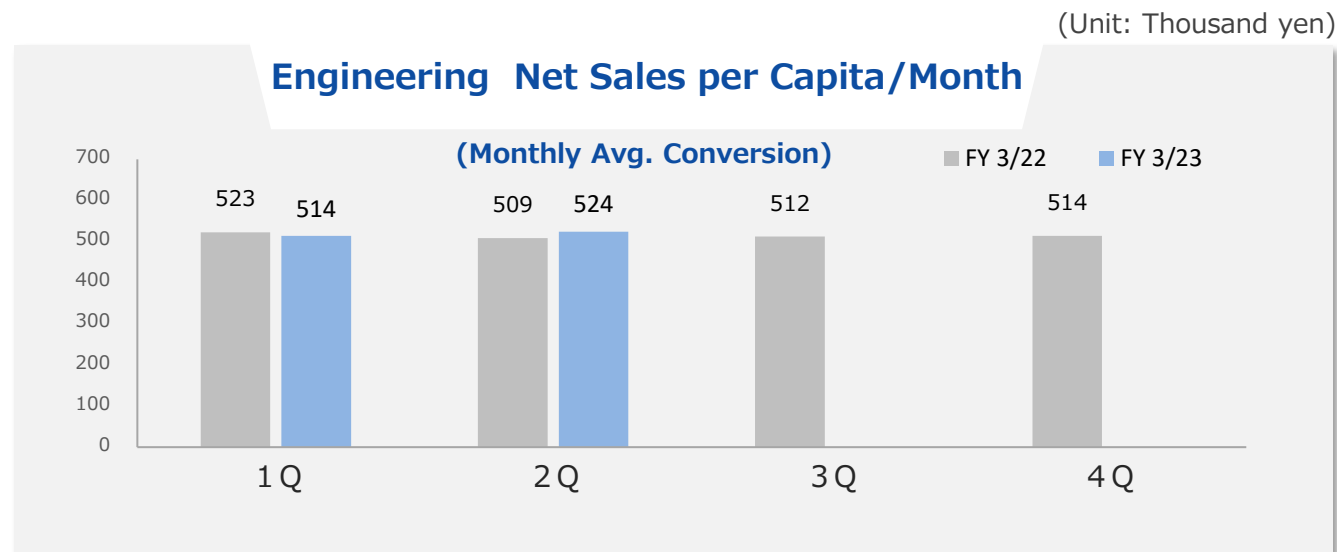
The number of enrolled engineers increased by 525 YoY. The increase was due to increased recruitment, promotion of career changes to engineers, efficient use of educational facilities, etc.



Engineering Human Resources Services

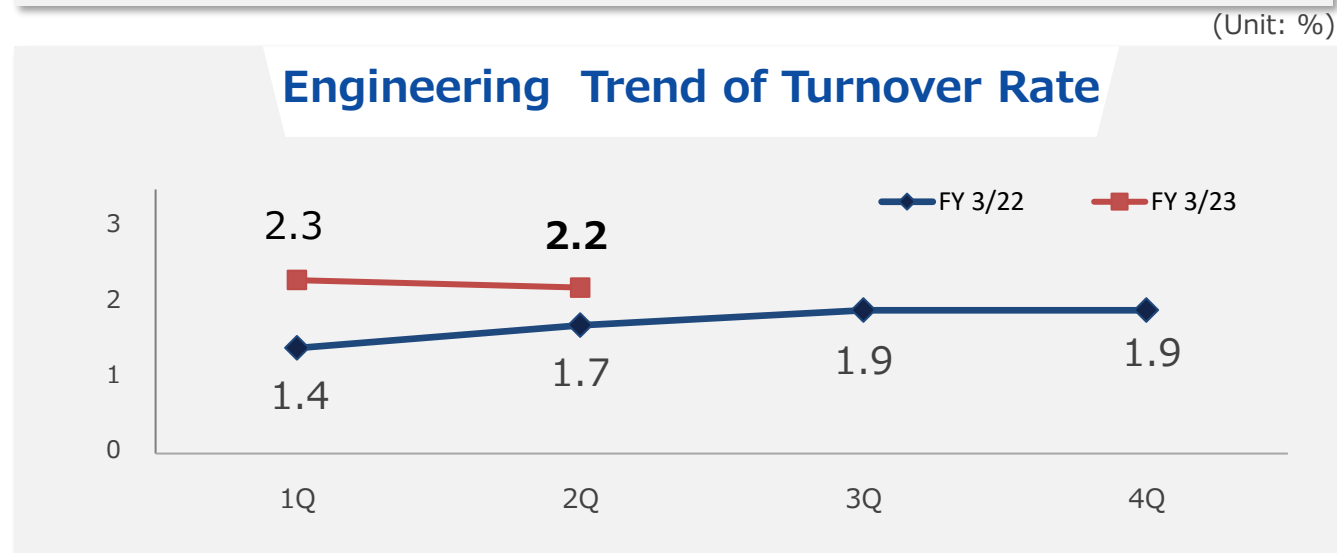
Net Sales per Capita/Month

Engineering net sales per capita increased by 3.1% YoY.



Turnover Rate

The engineering turnover rate increased by 0.5 pts YoY. Due in part to an increase in the number of enrolled engineers, the year-on-year increase remained at a low level.



Toward the Growth of Engineering (Semiconductor Field) Human Resources Services



In the Medium-term Management Plan, NISSO envisions a image of our growth cycle that begins with ES, increases CS and SS, and actively cooperates with the government and local communities. We will continue to work steadily toward realizing these goals.

Training Center Scheduled to Open in Kumamoto

In order to respond to the shortage of human resources at semiconductor-related companies, NISSO aims to increase the number of people who provide education by utilizing the expertise of existing training facilities.

- NISSO announced plans to open a training center for semiconductors in Ozu Town, Kikuchi-gun, Kumamoto Prefecture.
- NISSO plans to operate training facilities and training programs that further enhance the expertise we have cultivated at our existing training facilities.

Participation in the Tohoku Semiconductor and Electronics Design Study Group

NISSO will participate in the "Tohoku Semiconductor and Electronics Design Study Group" of the Tohoku Bureau of Economy, Trade and Industry.

URL: https://www.tohoku.meti.go.jp/s_monozukuri/topics/220803.html **(in Japanese only)**

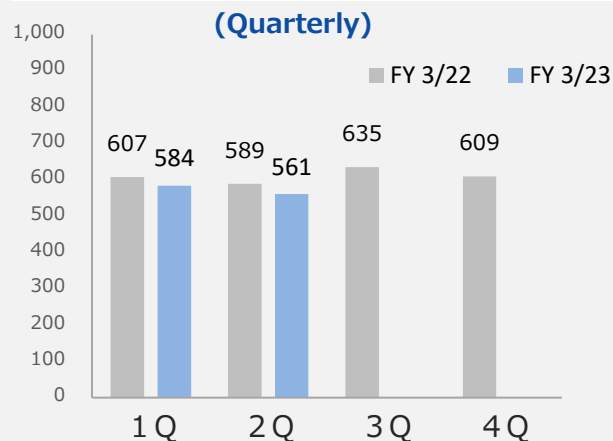


Administrative • Other Human Resources Services

Administrative Human Resources Services

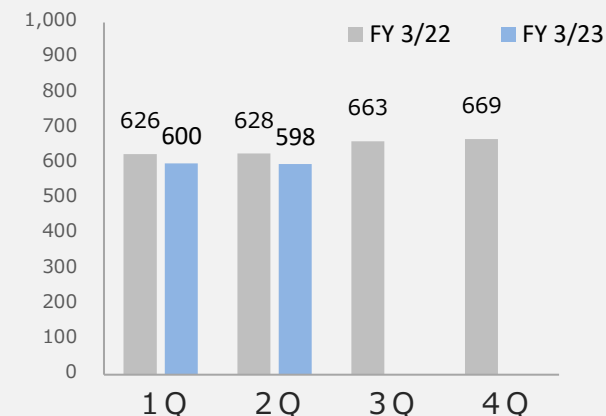
Administrative net sales in 2Q decreased by 4.7% YoY due to the continued decline in the number of enrolled administrative staff.

Administrative Net Sales



※Net sales figures are shown after the elimination of internal transactions

Number of Enrolled Administrative Staff at Quarter-end

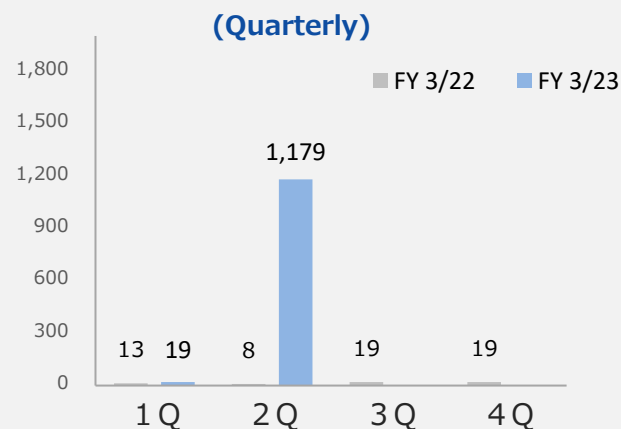


Other Human Resources Services

- At Nikon Nisso Prime Corporation, the Nisso Group is developing a model which will allow older (senior) employees to flourish.
- At Nisso Pure Co., Ltd., the Nisso Group is developing a model which will allow employees with disabilities to flourish.

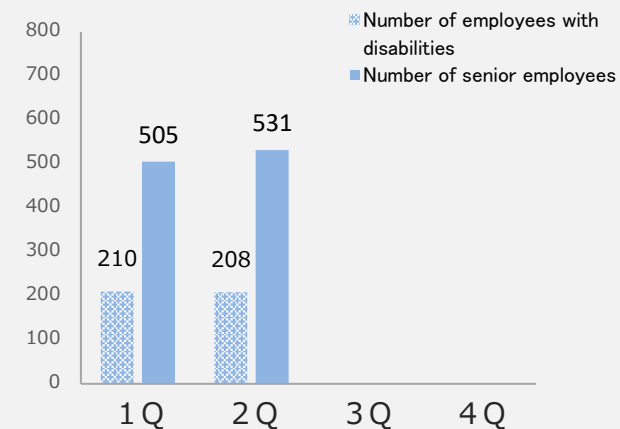
※ Nikon Nisso Prime Corporation became a consolidated subsidiary on July 1, 2022. Due to the change in equity interest, Nikon Nisso Prime's net sales have been recorded from 2Q.

Other Net Sales



※Net sales figures are shown after the elimination of internal transactions

Number of Enrolled Senior Staff • Employees w/ Disabilities



Nursing Care · Welfare Services

Points

- The occupancy rate of nursing care facilities overall recovered moderately from the end of the previous fiscal year.
- Net sales increased by 0.2% YoY, partly due to a gradual recovery in the number of residents.

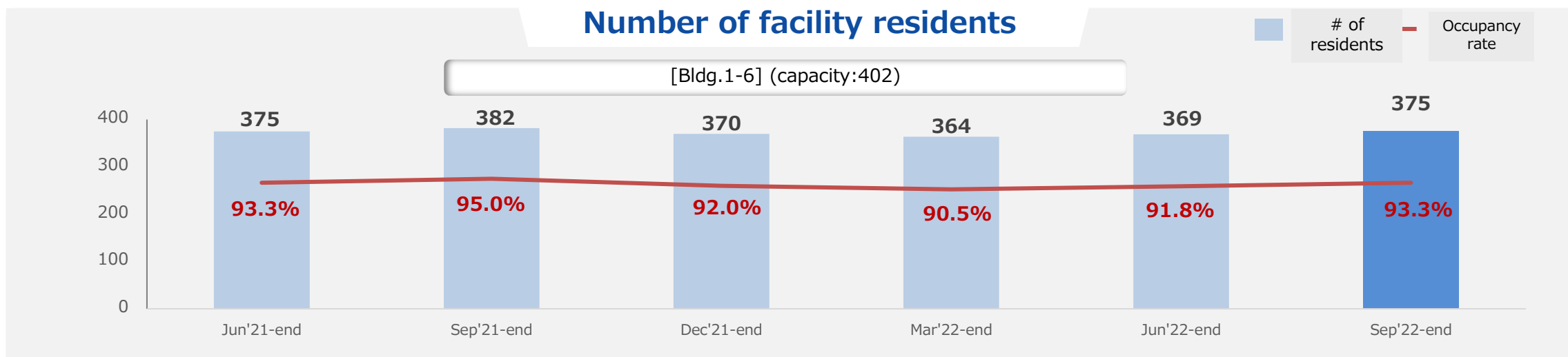
● Results of Nursing Care · Welfare Services

(Unit: Million yen)

| | FY 3/22 2Q | FY 3/23 2Q | Year-on-Year | |
|------------------|------------|------------|---------------------|----------|
| | Results | Results | Increase (Decrease) | % Change |
| Net sales | 1,494 | 1,497 | 3 | 0.2% |

Number of facility residents

(Unit: # of residents)



Topics

Consolidated Subsidiary Acquisition of Nikon Nisso Prime Corporation

NISSO acquired additional equity interest in Nikon Nisso Prime Corporation, an equity-method affiliate, and made it a consolidated subsidiary on July 1, 2022.

In addition to enhancing the dispatching business, Nikon Nisso Prime is working to support the active participation of older employees, and develop, secure, and build a structure for employment opportunities where such employees can continue to work. We will strengthen our expertise in human resources development and support for various career development opportunities, and establish a structure to propose and promote diverse work-styles.

Development of New Businesses in the Medical DX Area for the Online Medical Care Era

NISSO and DOCTORS Co., Ltd. (Head Office: Minato-ku, Tokyo, Representative Director & CEO Takao Yanagawa, hereinafter, "DOCTORS") have determined that by leveraging their strengths and expertise to create new "Medical, Human, and Labor" services that utilize digital health will contribute to the enhancement of corporate value of both companies, and we have concluded a basic agreement for a business alliance with DOCTORS, including capital participation.

We will continue to discuss the specific details of the business alliance in the future.

URL: <https://doctors-inc.jp/> **(in Japanese only)**



4

Future Prospects (FY 3/2023)

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% |



5 Shareholder Return Policy

Shareholder Return Policy

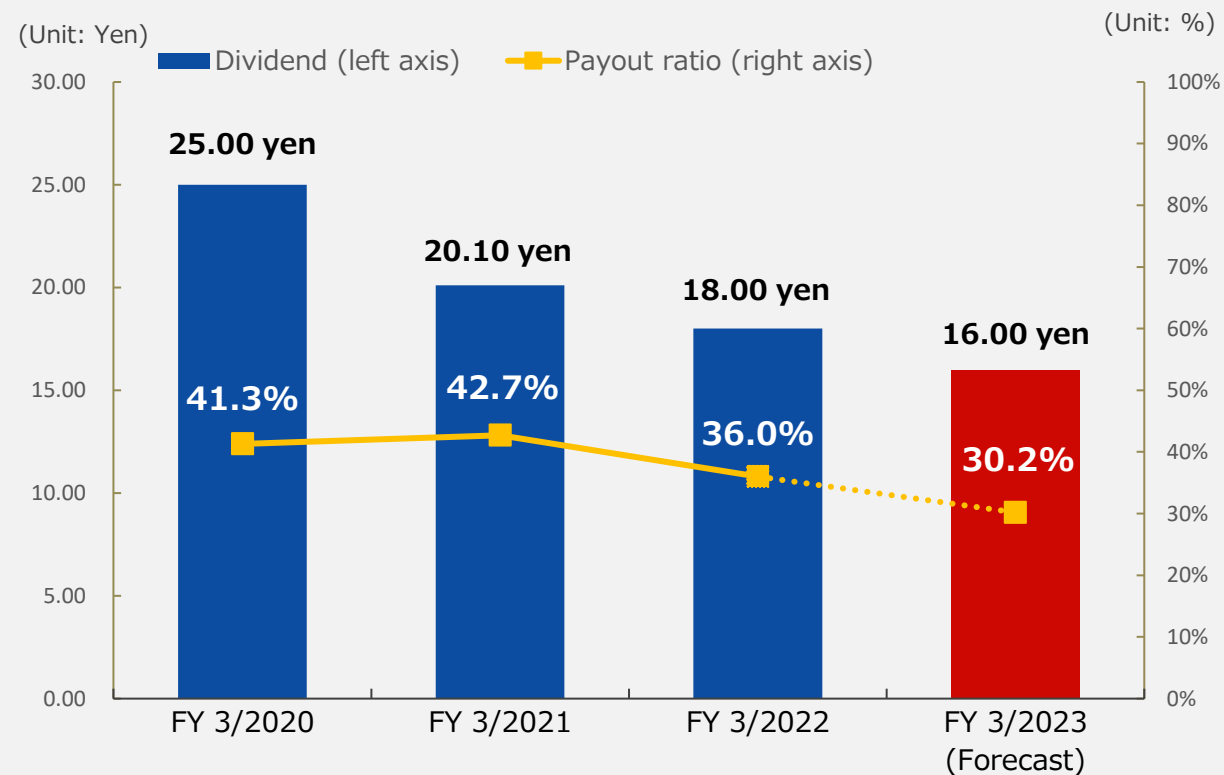
Basic Policy

NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues. In addition, by setting the consolidated dividend payout ratio of 30% or more as a general standard, NISSO's basic policy is to continue to steadily redistribute profits to all of our shareholders.

FY 3/2023 Dividend Forecast

NISSO forecasts a dividend of 16.00 yen per share (consolidated dividend payout ratio of 30.2%).

Dividend and Payout Ratio



※The dividend for FY 3/2021 includes a commemorative dividend of 5.00 yen for the 50th Anniversary of NISSO's founding.



6

Supplementary Materials

Consolidated Balance Sheet

(Unit: Million yen, %)

| | Mar. 2022-end | | Sep. 2022-end | | Increase (Decrease) |
|---|---------------|--------------|---------------|--------------|------------------------|
| | Amount | % of Total | Amount | % of Total | |
| Current assets | 19,068 | 69.4 | 19,648 | 70.4 | 580 |
| Cash and deposits | 8,779 | 32.0 | 7,933 | 28.4 | (846) |
| Notes and accounts receivable - trade | 9,390 | 34.2 | 10,822 | 38.8 | 1,431 |
| Non-current assets | 8,394 | 30.6 | 8,256 | 29.6 | (138) |
| Property, plant and equipment | 4,578 | 16.7 | 4,556 | 16.3 | (22) |
| Intangible assets | 1,667 | 6.1 | 1,583 | 5.7 | (83) |
| Investments and other assets | 2,149 | 7.8 | 2,117 | 7.6 | (32) |
| Total assets | 27,462 | 100.0 | 27,904 | 100.0 | 442 |
| Current liabilities | 10,411 | 37.9 | 11,009 | 39.5 | 598 |
| Accrued expenses | 5,381 | 19.6 | 5,848 | 21.0 | 467 |
| Income taxes payable | 395 | 1.4 | 434 | 1.6 | 38 |
| Provision for bonuses | 1,058 | 3.9 | 1,367 | 4.9 | 308 |
| Non-current liabilities | 3,492 | 12.7 | 3,348 | 12.0 | (143) |
| Long-term loans payable | 2,509 | 9.1 | 2,264 | 8.1 | (245) |
| Total liabilities | 13,903 | 50.6 | 14,358 | 51.5 | 455 |
| Shareholders' equity | 13,540 | 49.3 | 13,287 | 47.6 | (252) |
| Non-controlling interests | - | - | 238 | 0.9 | 238 |
| Total net assets | 13,559 | 49.4 | 13,546 | 48.5 | (13) |
| Total liabilities and net assets | 27,462 | 100.0 | 27,904 | 100.0 | 442 |

Point

① Increase due to expansion of the number of staff in operation

Due to the expansion of the number of staff in operation in the manufacturing-related human resources services, etc., "notes and accounts receivable (trade)" of current assets and "accrued expenses" of current liabilities increased.

② Business combination

Assets and liabilities increased due to the acquisition of Nikon Nisso Prime as a subsidiary.

③ Dividends

Shareholders' equity decreased due to dividend payments in June.

④ Overall

As a result of the above, total assets increased by 1.6%, total liabilities increased by 3.3%, and total net assets decreased by 0.1%, resulting in an equity ratio of 47.7% compared to the end of the previous fiscal year.

Consolidated Statements of Cash Flows

(Unit: Million yen)

| | FY 3/22 2Q YTD | FY 3/23 2Q YTD | Increase (Decrease) |
|--|-------------------|-------------------|------------------------|
| | Amount | Amount | |
| Cash flows from operating activities | 1,191 | (96) | (1,288) |
| Cash flows from investing activities | (1,302) | 113 | 1,416 |
| Cash flows from financing activities | (713) | (863) | (149) |
| Net increase (decrease) in cash and cash equivalents | (824) | (846) | (21) |
| Cash and cash equivalents at beginning of period | 5,873 | 8,773 | 2,899 |
| Cash and cash equivalents at end of period | 5,048 | 7,927 | 2,878 |

Point

① Cash flows from operating activities

Expenditures for 2Q amounted to 96 million yen, as proceeds of 582 million yen in profit before income taxes, etc., failed to absorb expenditures such as an increase in notes and accounts receivable (trade) of 767 million yen.

② Cash flows from investing activities

Proceeds for 2Q amounted to 113 million yen due to proceeds of 251 million yen for proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation, etc.

③ Cash flows from financing activities

Expenditures for 2Q amounted to 863 million yen due to expenditures of 611 million yen for cash dividends paid, etc.



*Nurturing and Bringing Out
the Best in People*

The forward-looking statements and performance forecasts contained in this document are forecasts determined by NISSO based on information available at the time of preparation, and include potential risks and uncertainties. Therefore, please be aware that the actual results may differ greatly from the forward-looking statements described due to changes in various factors.

For future IR-related inquiries

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