



*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

In the first half, NISSO increased revenue due to an increase in the number of enrolled staff and higher billing unit-costs, while profit declined due to aggressive investment in human resources recruitment

NISSO CORPORATION FY 3/2023 2Q Financial Results

NISSO CORPORATION

6569 · Prime Market · Services

This is a transcript of NISSO CORPORATION's financial results for the first six months of the fiscal year ending March 31, 2023, announced on November 10, 2022.

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

Sponsor NISSO CORPORATION

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

Explanation of Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023

Mr. Ryuichi Shimizu (hereinafter "Shimizu"): Thank you all very much for taking time out of your busy schedule today to listen to this presentation. Now I would like to explain NISSO CORPORATION's financial results for the first six months of the fiscal year ending March 31, 2023.

Summary

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

This is today's summary.

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I will follow these contents in my presentation.

FY 3/2023 2Q Consolidated Financial Results Highlights

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%)

These are the consolidated financial highlights compared to last year. Each item will be

explained in more detail later, so I will leave them out for now.

FY 3/2023 Quarterly Consolidated Financial Results

FY 3/2023 Quarterly Consolidated Financial Results



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These are the trends of the consolidated net sales and operating profit. Today, I would like to focus on the non-consolidated financial results of NISSO that account for 90% of total net sales.

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

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%)

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As shown on this slide, net sales and the number of enrolled staff are increasing steadily. One of the factors behind it is that the number of enrolled staff increased by 1,505 compared to last September. The other factor is that the unit-costs of orders increased by 102 yen as a simple average, compared to last year. These factors resulted in a 14.4% increase in net sales.

However, there are several issues. I would like to explain these issues separately in terms of cost and SG&A (selling, general and administrative) expenses.

First, let me talk about cost. Amid the recent labor shortage, the current situation is that we have very often offered company-entrance benefits for new employees, especially for automobiles manufacturers. From the perspective that we must compete with other companies, we have greatly expanded the payments of company-entrance benefits compared to last year. As a result, this expense has ballooned by approximately 190 million yen.

Next, although I will explain this in more detail later, the expenses related to human resources development, particularly career advancement and career changes, increased by 90 million yen, mainly due to personnel expenses for trainees. Combined with company-entrance benefits, the cost has grown to roughly 280 million yen. I would like to mention that this impact is a factor that pushes down gross profit by 0.7%.

Another major point is, as I have explained since last year, is that supply chain problems have been slow to recover due to the impact of COVID-19.

For example, when comparing overtime work, specifically limited to auto body manufacturers, the first quarter shows an average monthly decrease of 6.1 hours compared to last year. In contrast, in the second quarter, the number of hours worked increased by 0.9 hours. Furthermore, since August, the overtime curve has begun to cross even for auto body manufacturers.

In addition, although it is a good thing, it is relatively easy for staff to use their paid leave while the operating conditions remain low. As a result, paid time off used averaged 0.91 days per month this year, compared to 0.86 days per month last year.

Although we encourage our staff to actively use their paid leave, the normal level is 0.77 days per month. It may seem like a very small number, but I would like to tell you that the absolute amount is a relatively large amount that pushes down the cost.

Next is about SG&A expenses. As some of you may know, we actively promoted our website in the second half of last year. This year, on the contrary, we have invested 244 million yen in the first half to promote our website in anticipation of the recovery from early fall.

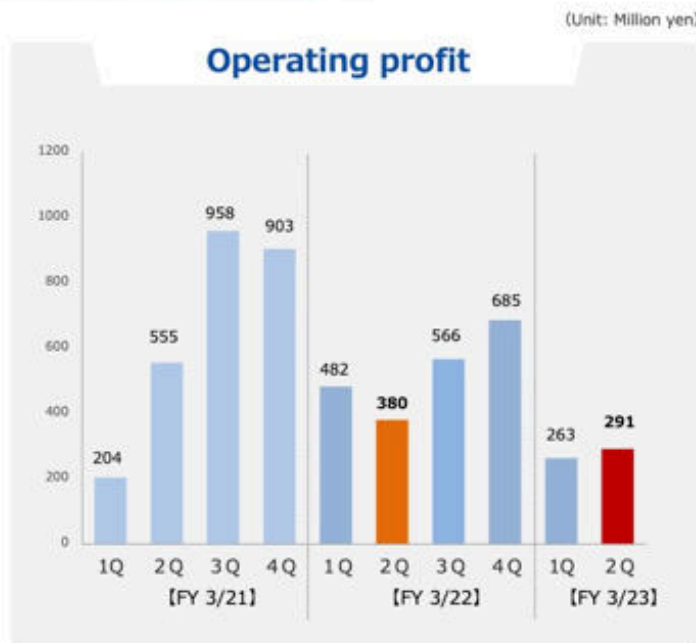
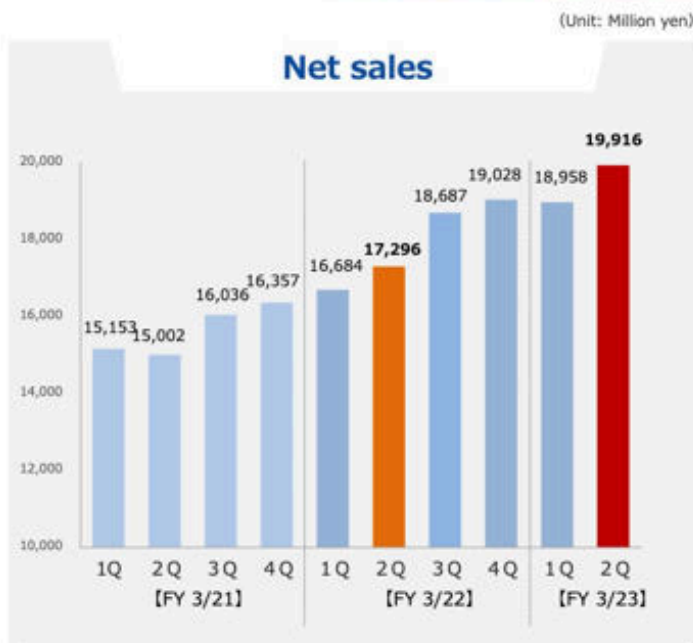
As you are aware, in a situation where it is very difficult to attract human resources, we are belatedly trying to focus on recruiting new graduates, and in the first half of the year, the cost of recruiting new graduates as regular employees increased to 49 million yen. These two (website promotion and new graduate recruitment) together resulted in an increase of 293 million yen, and all added up to approximately 573 million yen in costs.

I am very positive about these expenses, and see it as growth investment for us to achieve our Medium-term Management Plan going forward.

Due to the impact of COVID-19, we were forced to loosen our growth investments due to the extremely difficult outlook, and there were times when we held back a little. As a result, as you are all aware, in the revision of the Medium-term Management Plan in August, we were forced to reluctantly postpone the achievement of 115 billion yen in net sales of and 6.7 billion yen in operating profit by one fiscal year.

In light of this, and in this current situation where an exit from COVID-19 is in sight, I would like to achieve these figures in FY 3/2025 while making solid investments for growth.

FY 3/2023 Quarterly Non-consolidated Financial Results



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The chart shows the trends of NISSO’s non-consolidated net sales and operating profit.

FY 3/2023 2Q Financial Results Summary

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.

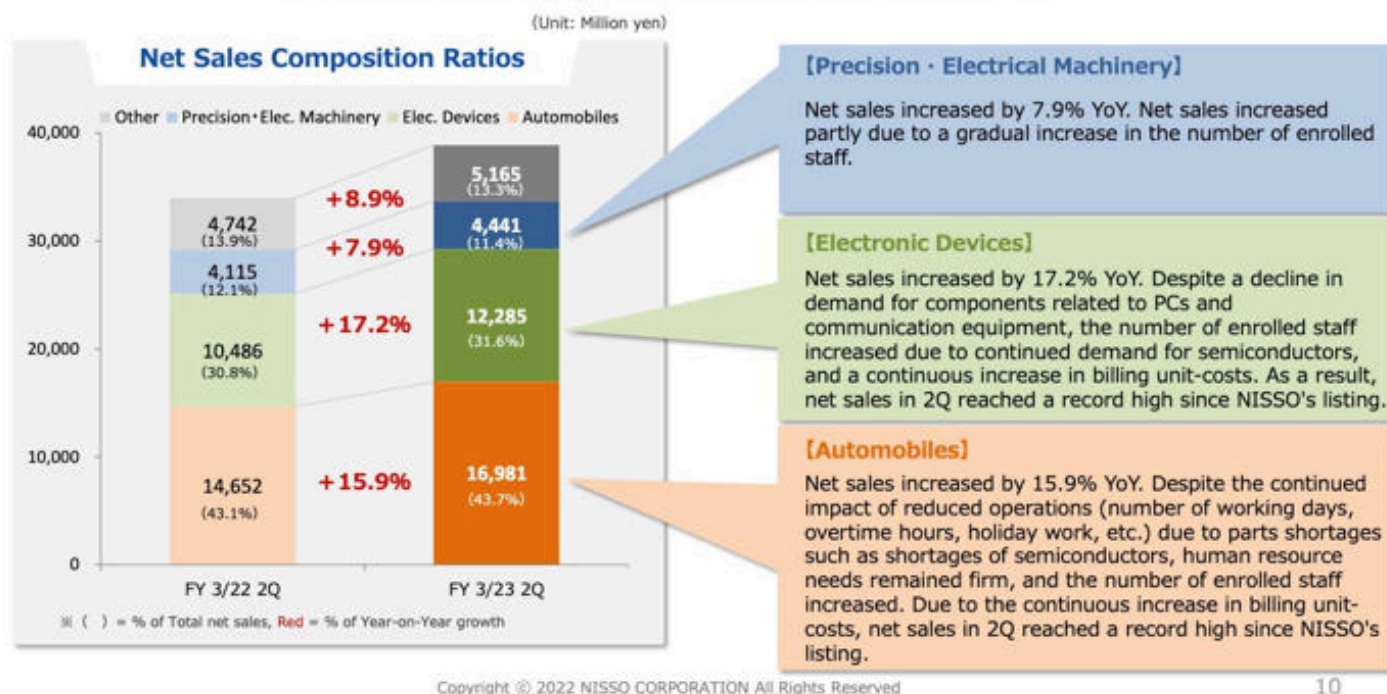
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This is the financial results summary. I will be explaining each item in detail.

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

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



[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.

Now, this is the net sales by industry. In particular, I would like to provide an explanation about the future of electronic devices and the automobiles-related industries.

First, with regard to electronic devices, passive components for automobiles are doing extremely well with the progress of EVs. On the other hand, unfortunately, sales of PCs and communication-related equipment were not very good, and production adjustments were made for passive components centered on capacitors. Partly because of this, the decline has generally stopped in the first half of the year.

As for semiconductors, I believe that although there has been talk of some production adjustments in some areas, such as memory, in the future, we intend to aggressively expand our business in the area of semiconductors, where we have particularly strong competitiveness in domestic factories. In addition, we are planning to expand the number of highly skilled personnel for equipment maintenance in order to be able to conduct business with an advantage over other companies.

Automobiles, the other major pillar, also grew by 15.9% compared to last year, but it should have grown even more. As you know, this is the so-called supply chain problem, and

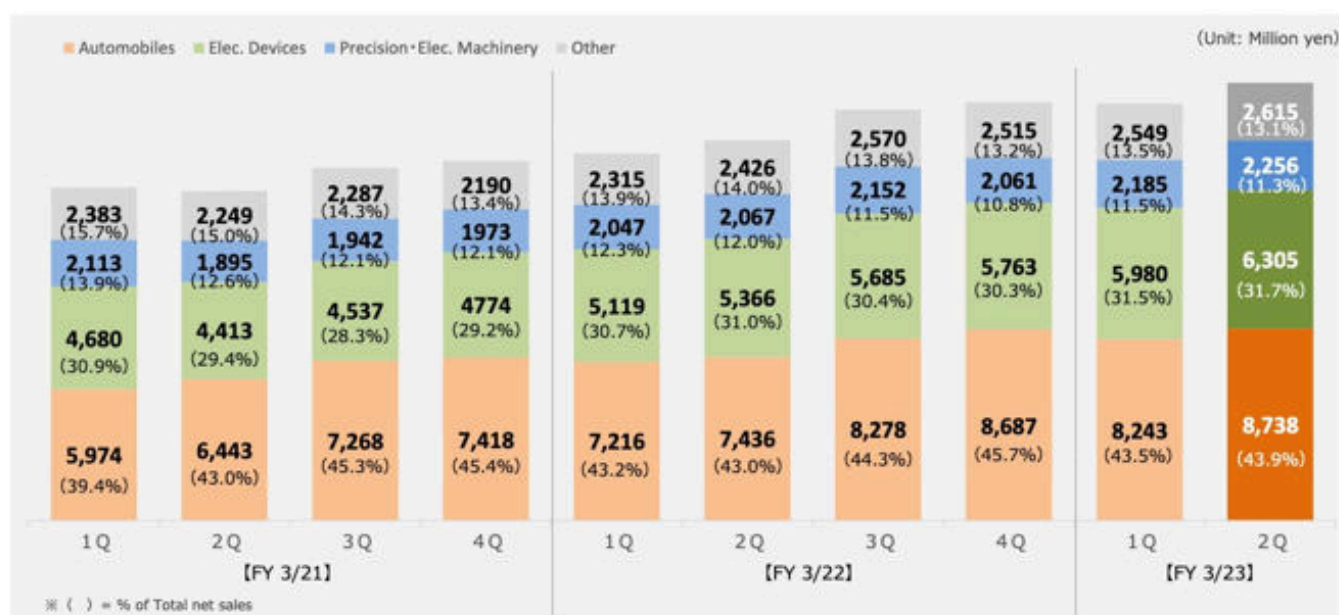
operations have not yet returned to normal.

However, looking at the trends in overtime work that I mentioned earlier, from around August onwards, overtime work at auto body manufacturers has been increasing year-on-year. Therefore, we are beginning to recover moderately, and I think there will be no problems.

In the future, in addition to aggressively increasing our market share of auto body manufacturers as we have done in the past, we intend to actively expand in the areas of key components centered on batteries and electrical components, where growth is highly anticipated.

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

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



This is the quarterly net sales by industry.

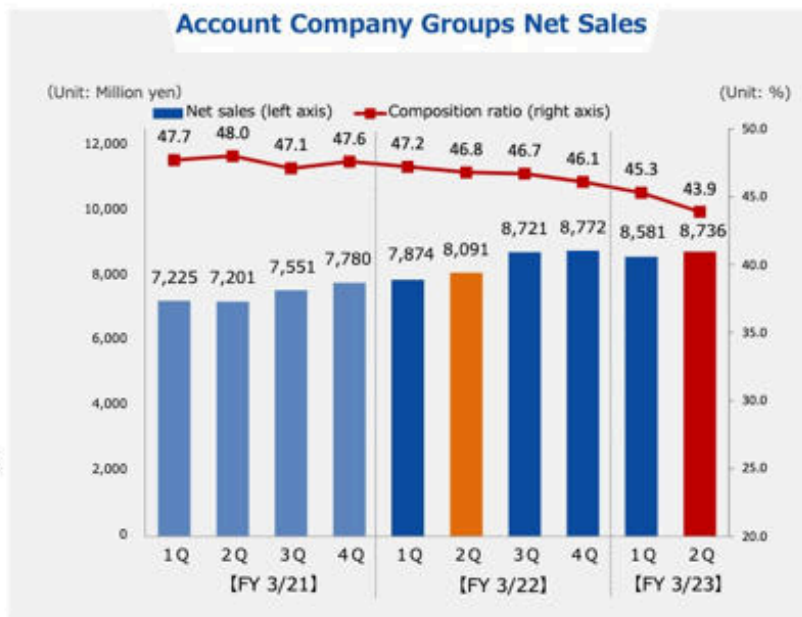
Account Companies (NISSO, Non-consolidated)

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.



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This is the net sales trend of the Account Company Groups. As you can see from the bar graph, there is no doubt that it has been growing as an absolute amount.

However, as we focus our efforts on new areas, which we have traditionally referred to as "next Account Company candidates", I would like to inform you that we are growing mainly in areas other than Account Companies.

One example is in the field of semiconductors. You may wonder if it is safe, even though there are some areas where semiconductors may not necessarily grow in the future. However, from the perspective of economic security, there is still room for growth for domestic semiconductors despite the possibility of varied results depending on the application.

In addition, for manufacturing equipment, particularly semiconductor devices, I believe that it would be difficult for our competitors to assign the same kind of human resources as us. We have an advantage there.

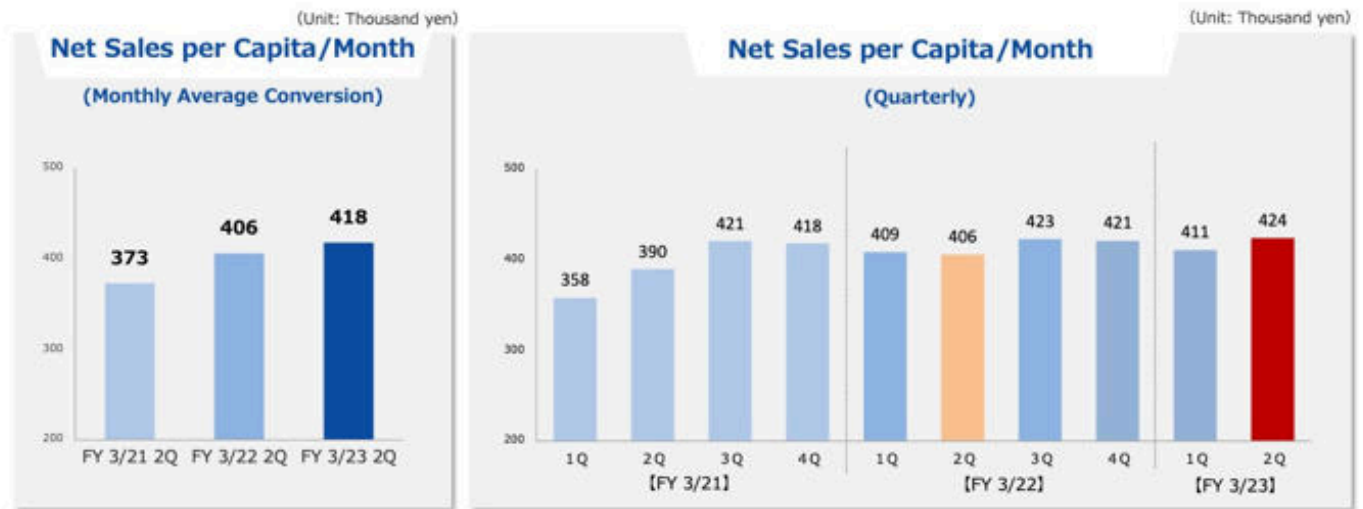
Furthermore, we would also like to promote expansion in the so-called EV-conscious battery field, where there is still more than enough room for expansion in the future, especially in high-skill areas.

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

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.



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These are the trends in net sales per capita. As you can see in this graph, it has increased by 11,000 yen per month compared to the same period last year. Compared to the second quarter of last year, this is an increase of 18,000 yen, which means that it is definitely increasing even though the operation rate has not yet normalized.

As I mentioned earlier, there is still see room for recovery in the future as the supply chain, particularly for automobiles manufacturers, is gradually recovering toward normalization. On the other hand, we are not just waiting around for that to happen, so I would like to tell you what we think.

We aim to increase unit costs while expanding the training of so-called maintenance personnel or equipment engineers related to manufacturing equipment. In addition, in the manufacturing processes of mass production, production fluctuations are inevitably very large, whereas equipment maintenance jobs have the characteristic of very stable work as long as the equipment is running, so we are thinking of increasing such fields.

Furthermore, we intend to further increase our net sales per capita by expanding into fields such as equipment that implement AI, which is an application of equipment, and robots.

Number of Enrolled Staff (NISSO, Non-consolidated)

Number of Enrolled Staff (NISSO, Non-consolidated)

(Unit: # of Staff)

Compared w. Previous FY-end

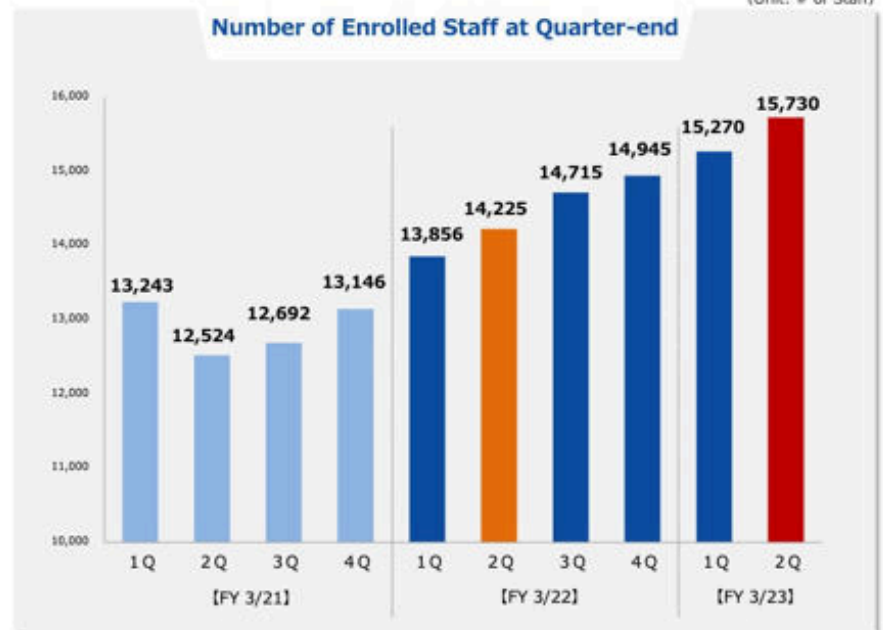
+785 staff (+5.3%)

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.



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This is the trend of the number of enrolled staff. Looking back, despite the impact of COVID-19 last year, we were able to increase the number of enrolled staff by 1,799 in one year. The number of enrolled staff was 785 at just past the halfway point of this fiscal year, which is an increase of 1,505 compared to September just one year ago.

So far, the speed of growth appears to be a little slower than last year. However, as we recover from the impact of COVID-19, we plan to raise it to the same level as last year because of the extremely strong demand for human resources from our clients, and if operations stabilize, the income of workers will also become stable.

In addition, in the second half of last year, we conducted promotions centered on TV commercials for our company's own recruitment website (Kojo Kyujin Navi). In the current fiscal year, on the contrary, we implemented the promotion in the first half, the number of people hired per month is gradually increasing. As a result, the number of recruits per month is increasing gradually. Therefore, I believe that we will be able to catch up with the increase in the number of enrolled staff at the same level as last year.

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

Now I am going to provide an explanation regarding our educational achievements. Education is a source of differentiation between our company and other companies, and a “weapon” that enables us to break into new areas.

Regarding the equipment maintenance and engineering education I mentioned earlier, compared to the second quarter of 2022, the number of participants has increased by 85 and 204, respectively. This will have a significant positive impact on our future sales and earnings.

Looking at the situation in the first half, we have incurred expenses of 90 million yen compared to last year, so going forward, we will continue to invest firmly in this area while changing the skills and careers of the people working at our company.

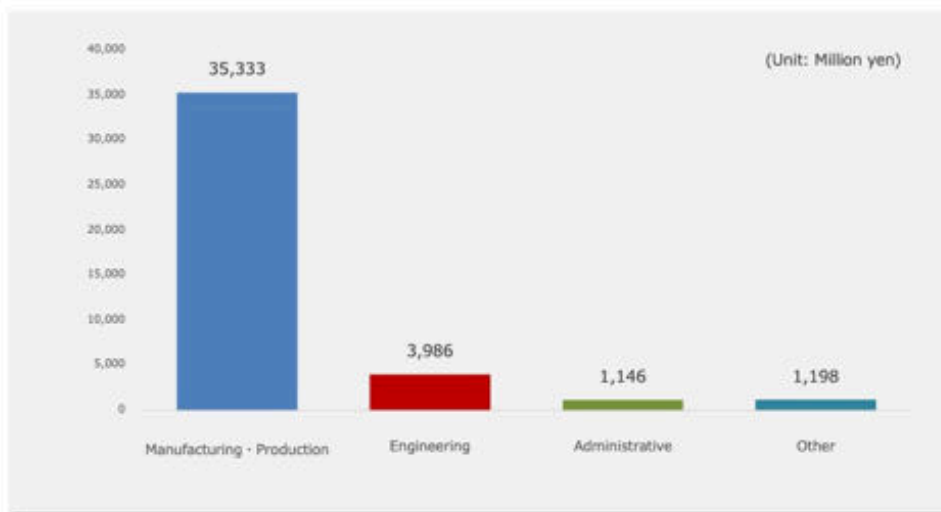
By doing so, the treatment (compensation) of individuals will increase, and the retention rate will also increase. This will lead to providing our clients with work that will satisfy them in the new era of manufacturing and development operations.

Net Sales by Segment (Services)

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

The slide shows the graphs of our general human resources services business and other businesses. The graphs are categorized into manufacturing · production, engineering, administrative, and other in the general human resources services segment, and nursing care · welfare in the other segment.

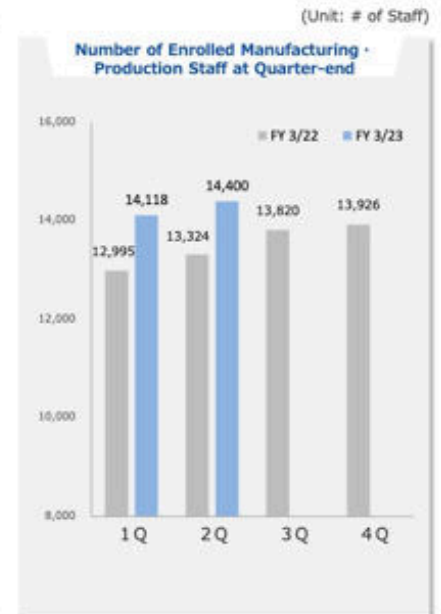
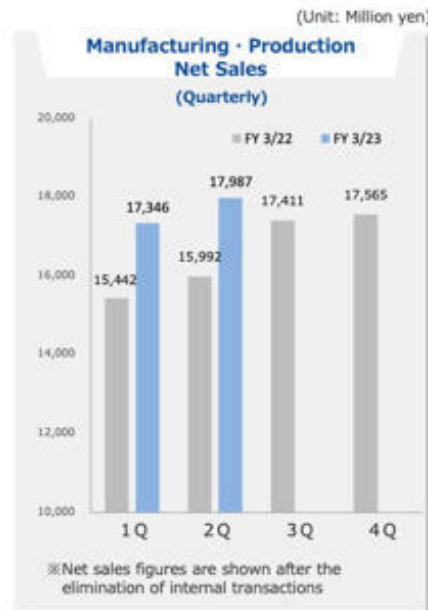
Manufacturing · Production Human Resources Services

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.



I am going to provide an explanation regarding our Manufacturing • Production Human Resources Services. Net sales and the number of enrolled staff have exceeded the single-year plan and the Medium-term Management Plan presented in August. On the other hand, there are several other issues that need to be resolved, such as the issue of the hours of operation.

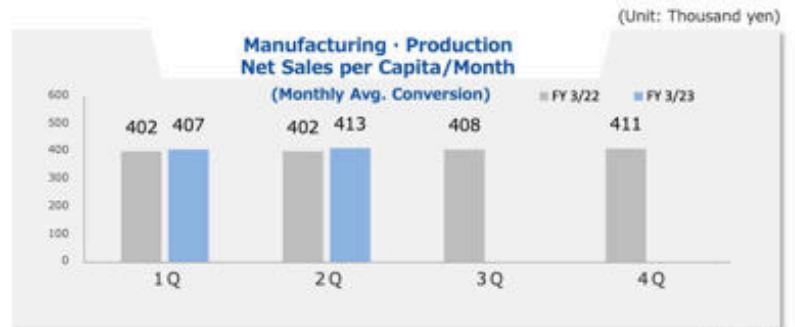
As I mentioned earlier, in order to acquire new clients, we also need to further expand our business, such as career advancement to expand our high-skill areas and career changes to engineers. We also need to take steps to further reduce the turnover rate.

In addition, the issue of securing human resources is an urgent issue for the human resources industry. Fortunately, we actively conduct promotions on our own website and devise ways to improve the usability for applicants, so we are not in a situation where we cannot attract human resources unless we spend the recruitment cost per capita like other companies, but we need to further strengthen this area.

Manufacturing • Production Human Resources Services

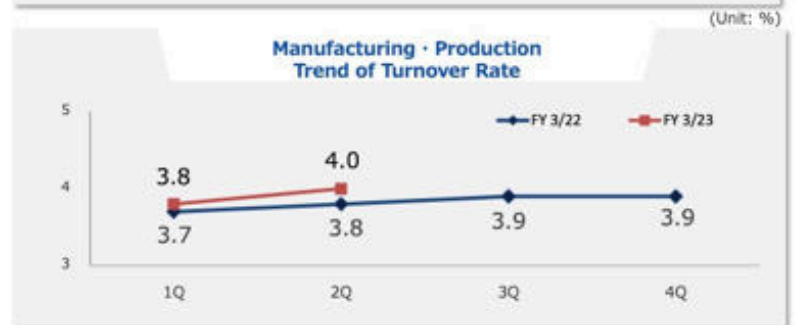
Net Sales per Capita/Month

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%.



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The graph at the bottom of the slide shows the trend of the turnover rate. We would like to take various measures to maintain the 4% line even as we expand in scale or the world situation changes.

The graph at the top of the slide shows the trend of net sales per capita for manufacturing • production. Increasing sales not only for engineers, but also for those working at our company will lead to better treatment (compensation). Therefore, we believe that it is necessary to increase our sales per capita to about 500,000 yen in the medium term, and I myself am aware of this issue.

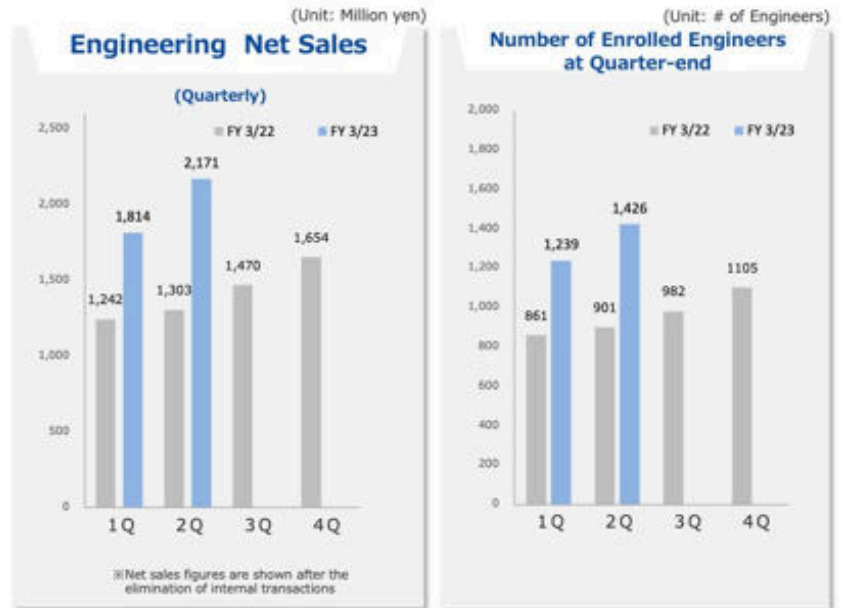
Engineering Human Resources Services

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.



I am going to provide an explanation regarding our Engineering Human Resources Services. Net sales per capita and the number of enrolled staff have also been very steady, as in Manufacturing • Production Human Resources Services. However, in this era of extremely drastic change, we are aware of the problem that we may not be able to achieve customer/client satisfaction solely through the volume and quality of the human resources we are developing.

In the field of development, we recognize that we are in a more advantageous position than other companies in the same industry by actively promoting human resources development that goes one step further for our clients and local communities as a new development initiative. However, we intend to implement measures to further separate the differences.

Although NISSO has been focusing on human resources services in manufacturing • production, when we think about engineers in the future, I believe that another important point is to further enhance the career paths of our workers. We believe that it is an urgent issue to raise the skill level of individuals and improve their treatment by expanding the scope and depth of the training curriculum.

Since April 2022, a project to revise our personnel system has been underway. We will reduce the turnover rate by increasing the satisfaction level of our engineers. In addition, I believe we will be able to sufficiently respond to the need to raise the salaries of each worker and increase sales per capita.

Engineering Human Resources Services

Engineering Human Resources Services



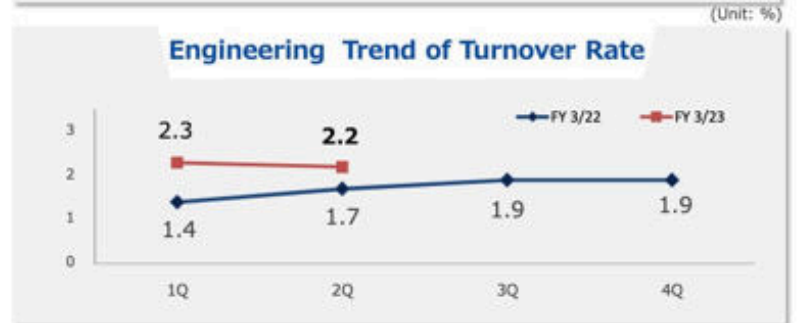
Net Sales per Capita/Month

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.



This slide shows the status of the engineer turnover rate and the status of monthly net sales.

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)



We would like to focus our efforts on areas around semiconductor manufacturers and semiconductor equipment. I would like to talk about some of our strategies as part of the human resources development in this field.

The first is the opening of the Kumamoto Training Center. As you may know, the Kyushu area is in a situation where semiconductors will be enhanced in the future. Under such circumstances, human resources development in the semiconductor field, especially in the Kyushu area, has become an urgent issue.

Until now, we have been developing human resources by introducing semiconductor equipment at many locations. Based on this expertise, we will open a training facility in Kumamoto that will enable further advanced human resources development.

Although I cannot tell you the name of the company, we have held discussions with a major semiconductor manufacturer, and have started developing human resources and curricula that will be useful in new semiconductor factories.

The lower part of the slide describes our participation in the "Tohoku Semiconductor and Electronics Design Study Group" of the Tohoku Bureau of Economy, Trade and Industry. To give you some background on this, there is actually a training facility in Kurihara City, Miyagi Prefecture, that is working on human resources development by introducing semiconductor equipment.

This facility is called the "NISSO Technical Center," where many people from manufacturers and the industrial world come to visit. Under these circumstances, we have earned an extremely high level of trust from our clients. In this case, people from the Tohoku Bureau of Economy, Trade and Industry came to inspect the facility.

Of course, it is also important to improve the facility's ability to develop human resources and enhance the curriculum. However, I believe that our participation in the study group will be a concrete measure toward achieving growth in the field of electronic components, which is a pillar of ours other than automobiles.

Administrative • Other Human Resources Services

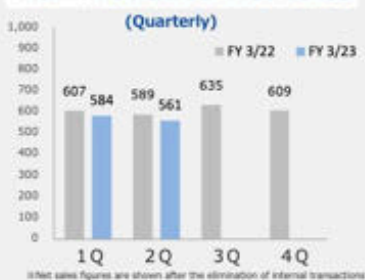
Administrative • Other Human Resources Services



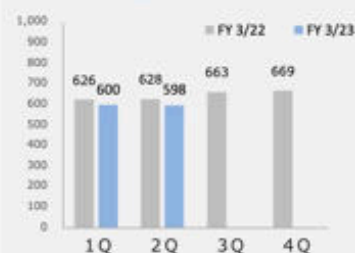
Administrative Human Resources Services

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



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



Number of Enrolled Senior Staff Employees w/ Disabilities



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This slide shows net sales and the number of enrolled staff for Administrative and Other Human Resources Services.

As you all know, it is difficult to expand general administrative human resources services when considering the current situation of AI and automation.

Under such circumstances, we are developing a system that enables people with disabilities and the elderly to flourish in the engineering area, especially in diversity management. In the future, we thought that it would become one of the guideposts for diversity management based on NISSO's social contributions, so we have made some modifications.

I will explain the details later, but as you can see on the slide, Nikon Nisso Prime has decided to change the majority since we will be developing a new model that will enable older (senior) employees to flourish.

One is the promotion of employment of people with disabilities, which I have been talking about for some time. Nisso Pure Co., Ltd. has been building a model for the development of skills and opportunities for people with disabilities to flourish, and we would like to enhance this model in order to promote diversity management in the future.

Nursing Care • Welfare Services



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%

(Unit: # of residents)



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I will provide an explanation regarding the Nursing Care • Welfare Services in our Other (Human Resources Services) segment. As shown on the slide, the number of previews has decreased due to the impact of COVID-19, and the occupancy rate has also decreased. However, the number of residents is gradually recovering thanks to efforts such as previews and interviews with residents and their families via Zoom. Net sales have been mostly flat, and profits have remained out of the red.

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)**

On July 1, 2022, Nikon Nisso Prime Corporation became a consolidated subsidiary through a change in majority.

Of course, we will also create opportunities for the elderly to flourish, but as another objective, we will also work on the activities and utilization of Nikon's various external labor forces.

In order for Nikon to move more flexibly in the future, we would like to utilize external labor forces in various situations and contribute to the vertical launch of mass production through this company.

The lower part of the slide is about the development of new businesses in the medical DX area for the online medical care era. As indicated in our Medium-term Management Plan, we intend to develop businesses using new technologies in the healthcare, medical care, and nursing care areas.

We have finally found a suitable partner to promote "HealthTech, Medical Tech, and Nursing Care Tech", to enable the "medical field, nursing care field, and people" to make good use of new technologies while working productively.

Hereafter, I have the impression that we have finally reached the starting line to firmly establish a business model in a field that is new and unique to NISSO, while borrowing the knowledge of Doctors, with whom we have concluded a capital and business alliance.

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%

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Currently, the world is in a situation where the future is difficult to predict. Although the supply chain has not yet fully recovered and is in the process of making a gradual recovery, based on the information we have now, I would like for you to understand that we have determined that we are not in a situation where we have to revise our original plan, and will leave it unchanged.

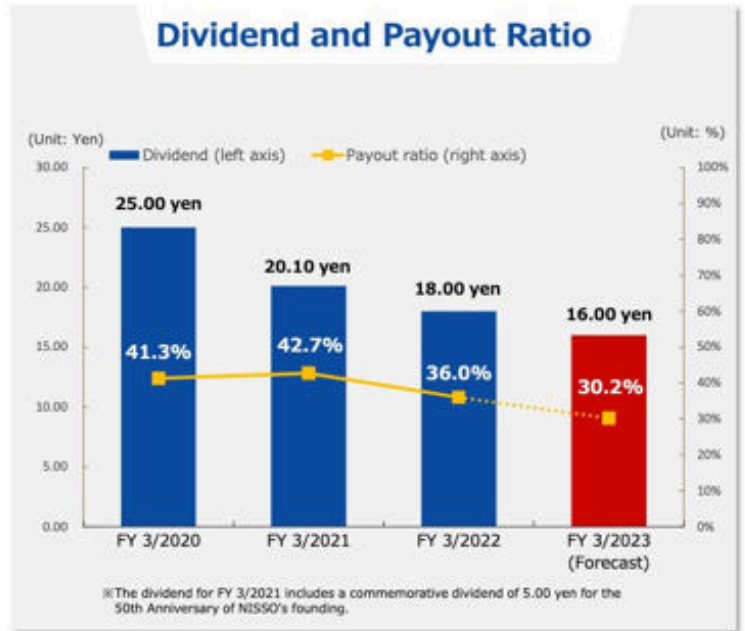
Shareholder Return Policy

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%).



Now, let me provide an explanation regarding our Shareholder Return Policy. The dividend, which was 18 yen for FY 3/2022 has dropped to 16 yen, which is my concern as well. However, our basic policy is to pay out at least 30% of our profits as dividends, so we will leave it as it is.

Consolidated Balance Sheet

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.

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The consolidated balance sheet is posted here as supplementary material. I hope that you will take a look at it later.

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows



(Unit: Million yen)

	FY 3/22	FY 3/23	Increase (Decrease)
	2Q YTD	2Q YTD	
	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.

Please also refer to the consolidated statements of cash flows later at your own convenience.

This concludes my explanation. Thank you very much.