



*Making hardworking people,
happy.*

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

First Nine Months of FY 3/2023

Financial Results Briefing Materials

February 9, 2023

**NISSO's third quarter ended with an increase in revenue and a
decrease in profits**

**Operating profit recovered to the previous year's level as a result of an
increase in the number of enrolled staff and an increase in billing unit-
costs**

Explanation of NISSO CORPORATION's Financial Results for the First Nine Months of the Fiscal Year
Ending March 31, 2023

NISSO CORPORATION

6569 · Prime Market · Services

This is a transcript of NISSO CORPORATION's financial results for the first nine months of the fiscal year ending March 31, 2023, announced on February 9, 2023.

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

Sponsor NISSO CORPORATION

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

Explanation of NISSO CORPORATION's Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2023

Mr. Ryuichi Shimizu (hereinafter "Shimizu"): Hello, everyone. Thank you very much for taking time out of your busy schedule today to listen to our third quarter financial results briefing presentation. I would like to proceed based on the materials.

Summary

Summary



FY 3/2023 3Q Results

- Revenue increased and profits decreased year-on-year
- Operating profit recovered to the previous year's level
- Although operations in the automobiles-related industry entered a recovery period, the impact of parts shortages continued, and human resources needs were firm
- Demand for components related to PCs and communication equipment for electronic devices continued to decline
- Demand for semiconductors declined in the memory field, while demand for in-vehicle products were strong
- The number of enrolled engineers steadily increased, and net sales also increased year-on-year

As shown on the slide, although revenue increased and profits decreased year-on-year, operating profit has generally recovered to the same level as the previous year. As you are all aware, the operational status in the automobiles-related industry continued to be affected by parts shortages, particularly in semiconductors. On the other hand, human resources needs has remained very strong.

In the electronic devices industry, demand for components related to PCs and communications equipment has declined, and sales of smartphones have also declined. Against this backdrop, semiconductors have entered a slight adjustment phase as inventories in the memory field have

accumulated slightly.

In-vehicle products were doing well, but in fact, there was even a shortage. Although I will explain in more detail later, the demand for engineers was steady.

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I will proceed according to these contents today.

FY 3/2023 3Q Consolidated Financial Results Highlights

FY 3/2023 3Q 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.
- Although the effects of COVID-19 and the impact of reduced operations (number of working days, overtime hours, holiday work, etc.) due to parts shortages such as the shortage of semiconductors in the automobiles industry remained, operations gradually recovered, and gross margin improved by 0.4 percentage points compared to 2Q.
- Other Businesses (nursing care · welfare services) increased revenue and profits.

	FY 3/2022 3Q		FY 3/2023 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	56,977	100.0%	67,201	100.0%	10,224	17.9%
Gross profit	9,493	16.7%	10,576	15.7%	1,082	11.4%
SG&A expenses	8,086	14.2%	9,177	13.7%	1,091	13.5%
Operating profit	1,406	2.5%	1,398	2.1%	(8)	(0.6%)
Ordinary profit	1,595	2.8%	1,501	2.2%	(94)	(5.9%)
Profit attributable to owners of parent	1,036	1.8%	937	1.4%	(98)	(9.5%)

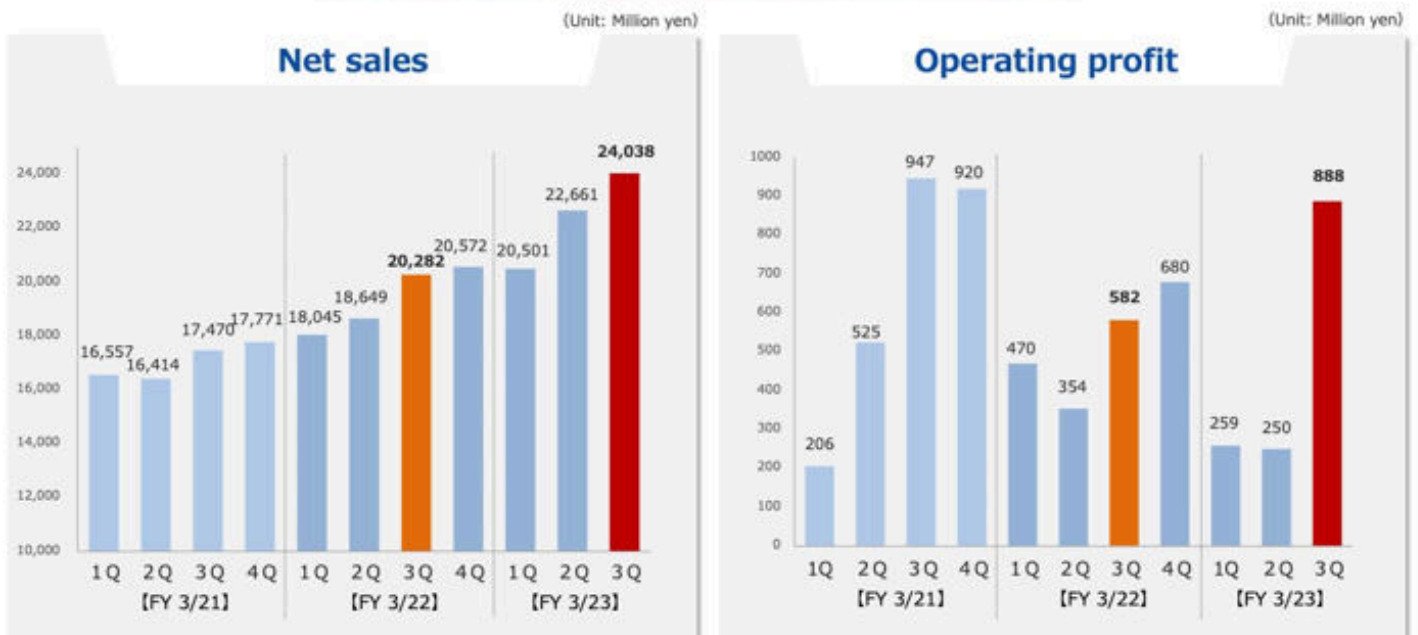
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I will explain our consolidated financial results. As I mentioned earlier, although net sales increased by 17.9% year-on-year, operating profit was almost the same level as last year and decreased slightly.

FY 3/2023 3Q Quarterly Consolidated Financial Results

FY 3/2023 Quarterly Consolidated Financial Results



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These are the trends of quarterly net sales and operating profit. In particular, today I would like to talk about the non-consolidated financial results of NISSO, which account for 90% of the (Nisso) Group's total net sales.

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

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

(Unit: Million yen)

Net sales

Net sales increased by 14.0% due to an increase in the number of enrolled staff and an increase in billing unit-costs.

Expenses · Profits

- Although 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-industry remained, operations gradually recovered.
- Despite a YoY decline in gross margin due to the effects of COVID-19 and reduced operations, it improved by 0.5 percentage points compared to 2Q.
- Demand for manufacturing-related human resources was strong.
- Invested efficiently in recruitment, controlled SG&A expenses in 3Q, and improved the SG&A expenses ratio YoY.

	FY 3/2022 3Q		FY 3/2023 3Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	52,668	100.0%	60,022	100.0%	7,353	14.0%
Gross profit	9,048	17.2%	9,789	16.3%	741	8.2%
SG&A expenses	7,618	14.5%	8,389	14.0%	770	10.1%
Operating profit	1,429	2.7%	1,399	2.3%	(29)	(2.1%)
Ordinary profit	1,528	2.9%	1,492	2.5%	(35)	(2.3%)
Profit	989	1.9%	960	1.6%	(29)	(3.0%)

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These are NISSO's non-consolidated highlights. Net sales grew 14% year-on-year. The increase in the number of enrolled staff and the increase in billing unit-costs were major factors, and operations have not returned significantly.

The number of enrolled staff increased by 1,396 compared to the end of December 2022. In addition, billing unit-costs increased by 93 yen on a simple average in December. Although operating profit resulted in increased revenue and decreased profits, it recovered to a situation where it decreased by 29 million yen year-on-year in the third quarter.

As I will explain in more detail later, the impact of the spread of COVID-19 during the year-end and New Year holidays has caused the attendance rate to drop by nearly 2 percentage points. At its peak, approximately 300 on-site workers were infected with COVID-19 and unable to go to work.

FY 3/2023 Quarterly Non-consolidated Financial Results



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Please take a look at the operating profit graph. I think you can see how we have recovered in the third quarter after struggling in the first half.

In our business, profits in normal times are said to be 1 in the first half of the fiscal year and 2 in the second half. However, this fiscal year is expected to be a slightly irregular situation with a ratio of 1 to 3. Looking back on the past, due to the impact of COVID-19 and other factors, the ratio was slightly different from the usual 1 to 2.45 in the fiscal year before last and 1 to 1.45 in the previous fiscal year.

FY 3/2023 3Q Financial Results Summary

Consolidated Financial Results

Net Sales **67,201 Million yen** (10,224 Million yen / 17.9%)
Operating Profit **1,398 Million yen** (-8 Million yen / -0.6%)

Non-consolidated Financial Results

● Net Sales by Industry (YoY)

Automobiles ... **+16.0%**
 Electronic devices ... **+15.4%**

- In the automobiles-related industry, net sales increased by 16.0% YoY. Although the impact of reduced operations due to parts shortages remained, operations gradually recovered. Net sales increased due to an increase in the number of enrolled staff and an increase in billing unit-costs.
- In the electronic devices-related industry, net sales increased by 15.4% YoY. In addition to the PC and communication equipment-related industries, net sales increased due to an increase in the number of enrolled staff and an increase in billing unit-costs, despite a partial decrease in demand for semiconductors.

● 3Q-end Number of Enrolled Staff

16,111 staff
 (+1,166 staff from FY 3/22-end)

- The number of enrolled staff increased by 1,166 compared to FY 3/22-end. The number of enrolled staff increased, mainly in the automobiles industry, where human resources needs were high.

● Net Sales per Capita/Monthly

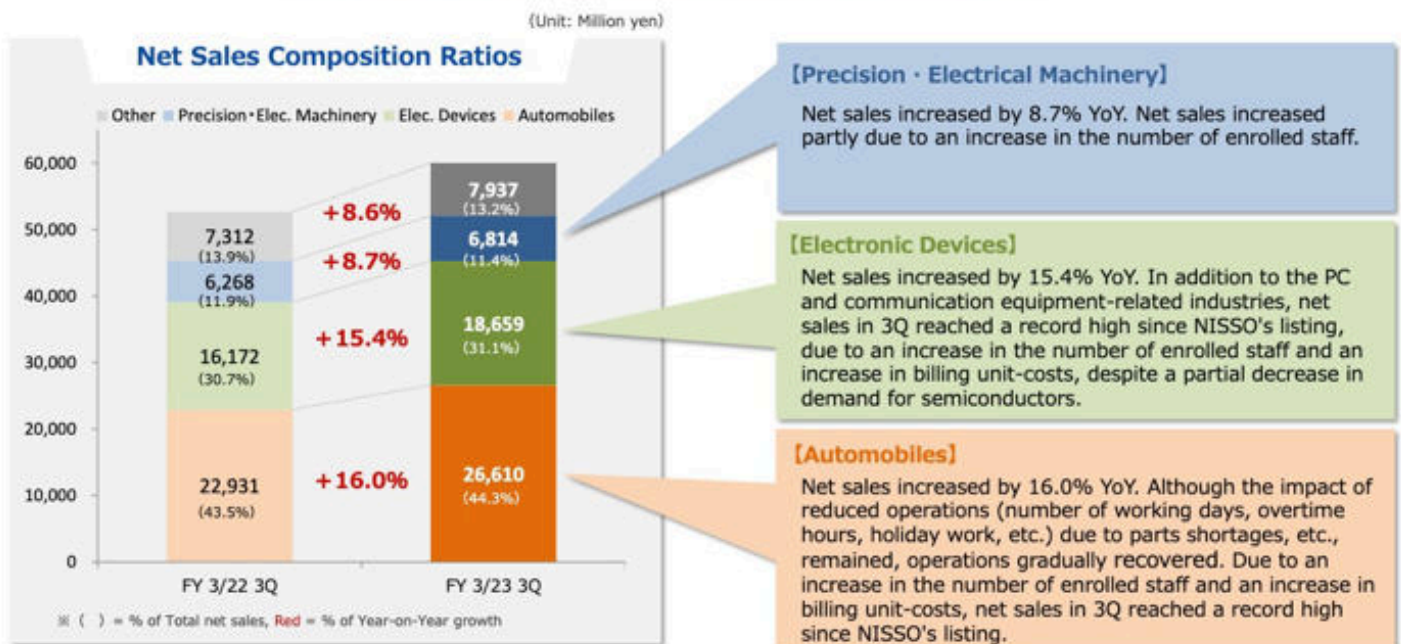
425 Thousand yen
 (+13 Thousand yen YoY)

- Net sales per capita increased by 13 thousand yen YoY. The increase was partly due to an increase in billing unit-costs and a gradual recovery in operations in the automobiles-related industry.

This is our third quarter financial results summary. I will explain the items listed on the slide in more detail later.

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

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



Now, let me provide an explanation about our net sales by industry. Although the automobiles field is by no means in a favorable operating condition, the number of enrolled staff continued to increase. In the second quarter, net sales were up 15.9% year-on-year, and in the third quarter, it was up 16% year-on-year, showing continued steady growth.

As I will explain later, growth in the electronic devices field has slowed down compared to the growth it has experienced to date.

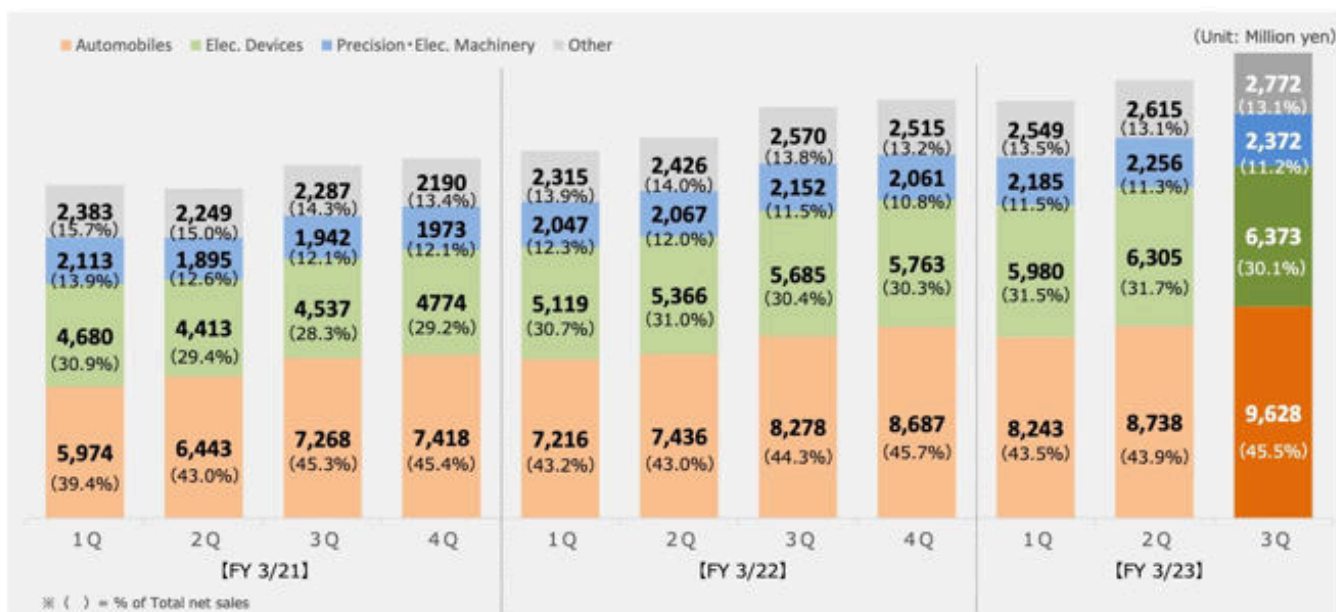
Regarding the automobiles industry, as I mentioned earlier, although it has been recovering moderately, it has not yet returned to normal operating conditions due to parts shortages, mainly semiconductors.

Furthermore, in addition to a decline in sales of electronic components related to PCs and communications equipment, sales of smartphones in particular have been sluggish due to the entering of an adjustment phase in memory production in the semiconductor field. On the other hand, there is a sense of shortage of semiconductors for automobiles. Therefore, we believe that semiconductors for automobiles applications will achieve further growth in the future as the automobiles field recovers.

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



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



These are the trends of quarterly net sales by industry. I believe that you can see from this graph that net sales in both the automobiles and electronic components industries continued to reach record highs.

Account Companies (NISSO, Non-consolidated)

Account Companies (NISSO, Non-consolidated)

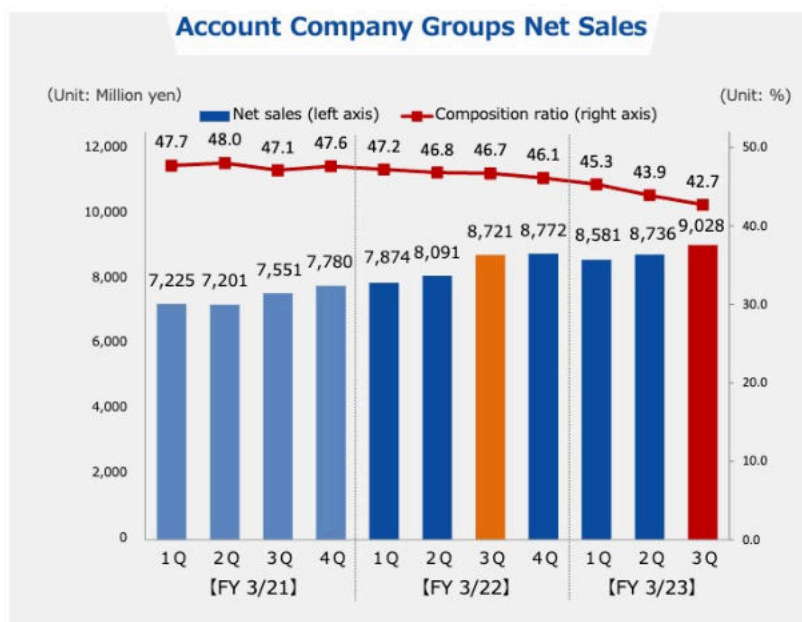


Point①

Account Company Groups net sales in 3Q reached a record high since NISSO's listing.

Point②

- In the automobiles-related company group, although the impact of reduced operations (number of working days, overtime hours, holiday work, etc.) due to parts shortages such as shortages of semiconductors remained, operations gradually recovered, and net sales increased.
- In addition to the decrease in demand for PCs and mobile terminals in the electronic devices-related company group, there was also a partial decrease in demand for semiconductors, resulting in a slowdown in net sales growth and a decrease in the composition ratio YoY.



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Next, let me provide an explanation about our Account Companies. Although quarterly net sales have hit a record high, the overall market share has declined to 42.7%. This is partly due to the growth of companies other than Account Companies, and I think we are in a situation where we are preparing next Account candidates for the next fiscal year.

Our Account Companies consist of four groups of major manufacturers: an automobiles manufacturer group, a passive components manufacturer group, a semiconductor manufacturer group, and a precision equipment manufacturer group.

The major automobiles manufacturer group was as I mentioned earlier. Unfortunately, I think that the major passive components manufacturer group was affected the most by poor smartphone sales. Under normal conditions, if sales of automobiles increased, we would be able to make a recovery with auto parts, but it has not happened yet.

The major semiconductor manufacturer group was at a standstill because they focus on manufacturing memory. Meanwhile, the major precision equipment manufacturer group has

finally bottomed out. I do not expect their quick reversal, but they should rise gradually.

Next, I would like to explain our approach to our potential new Accounts that I mentioned earlier. As you are all aware, the government plans to increase the mass production of semiconductors in Japan in the future. In conjunction with this, various semiconductor and equipment manufacturers are expected to grow. In this context, we would like to actively create accounts with companies in the semiconductor field, which has particularly high growth potential, and promote their growth.

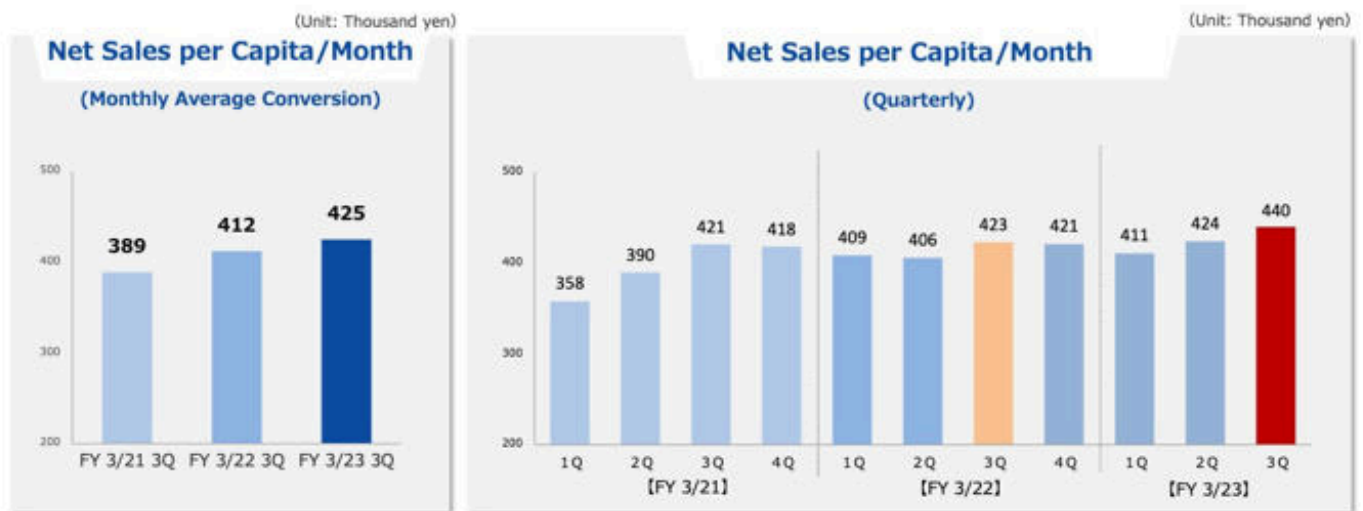
We are also in the process of setting up the next account in the field of parts related to the new era of automobiles, which are expected to grow, especially key components centered on batteries. In the next fiscal year, we would like to introduce you to the members who have newly joined our Account Groups.

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

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

● FY 3/2023 3Q YTD <Overall net sales per capita> 425 Thousand yen (+13 Thousand yen YoY)

● Net sales per capita increased YoY due in part to an increase in billing unit-costs and a gradual recovery in operations in the automobiles-related industry.



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Now, let me provide an explanation about our net sales per capita. Please take a look at the graphs on the slide. Net sales per capita increased by 17,000 yen year-on-year on a quarterly basis, and by 13,000 yen year-on-year on a monthly average basis.

Our analysis shows that the increase in simple average billing unit-costs in December and the gradual recovery in the operations of the automobiles-related industry have contributed

significantly.

Number of Enrolled Staff (NISSO, Non-consolidated)

Number of Enrolled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Compared w. Previous FY-end

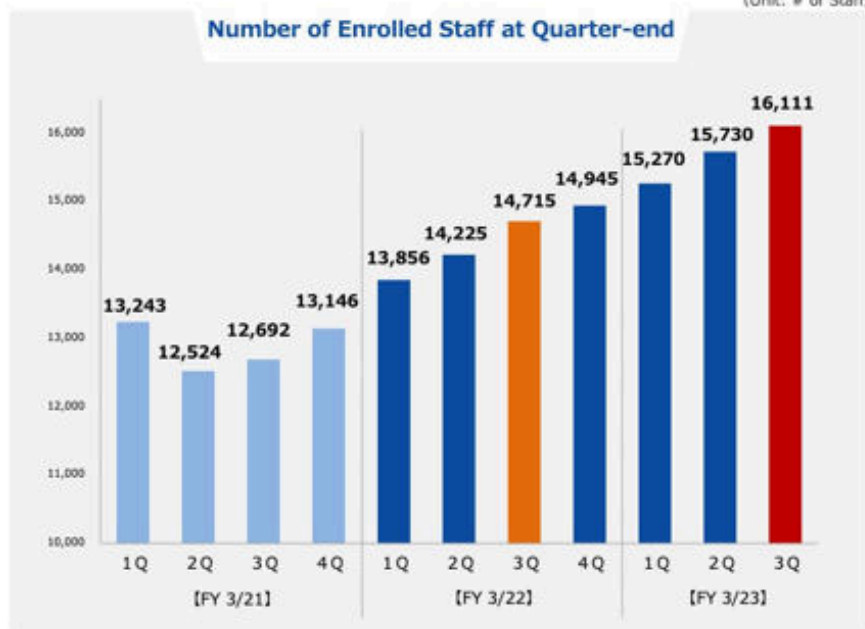
+1,166 staff (+7.8%)

Point①

Manufacturing-related human resources needs remained strong, mainly in the automobiles industry, and the number of enrolled staff steadily increased.

Point②

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



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Next, let me provide an explanation about the trend in the number of enrolled staff. The number of enrolled staff increased by 1,166 from the end of the previous fiscal year. The number of staff increased by 1,396 compared to the corresponding period of the previous fiscal year, and we believe that the number is steadily increasing. Although the recruitment of human resources is extremely difficult, even in such circumstances, we believe that we are able to utilize our own website and conduct recruitment activities efficiently.

Educational Achievements (NISSO, Non-consolidated)

Point①

Due in part to the steady increase in the number of engineers, the number of participants in engineer education increased YoY.

Point②

Partly due to a partial decrease in demand for semiconductors, the number of participants in basic equipment maintenance education decreased slightly YoY.

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

(Unit: # of participants)

Training course name	Contents	FY 3/22 3Q (Oct ~ Dec)	FY 3/23 3Q (Oct ~ Dec)	Year-on-Year Increase (Decrease)
Basic equipment maintenance education	Basic equipment maintenance education	100	97	(3)
Engineer education	Manufacturing equipment maintenance · manufacturing equipment technology Mechanical design · production technology SEAJ education (safety education specializing in semiconductors)	158	234	+76
Manufacturing education	MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	1,419	1,604	+185
	Total	1,677	1,935	+258

These are our educational achievements. Compared to the third quarter of 2022, basic equipment maintenance education has decreased. This was due to the slowing down of needs of equipment maintenance personnel and engineers as new launches in the semiconductor memory field have been delayed.

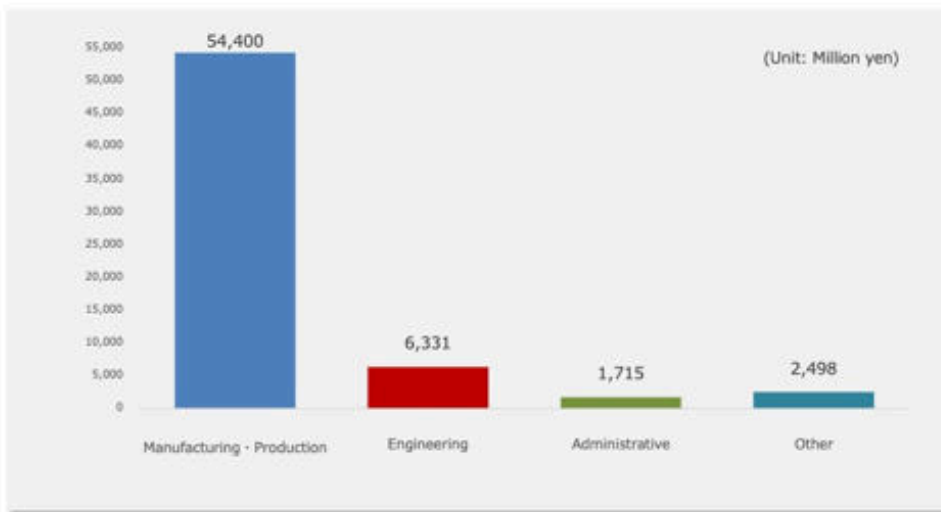
Currently, since we are structurally reallocating such human resources to semiconductors in other fields, the impact should be temporary. As I will explain in detail later, since this is an area where client needs are extremely high, we would like to further strengthen our training.

Net Sales by Segment (Services)

Net Sales by Segment (Services)



FY 3/2023 3Q
General Human Resources Services Business



FY 3/2023 3Q
Other Businesses



The details of net sales by segment (services) will be explained later.

Manufacturing • Production Human Resources Services

Manufacturing • Production Human Resources Services

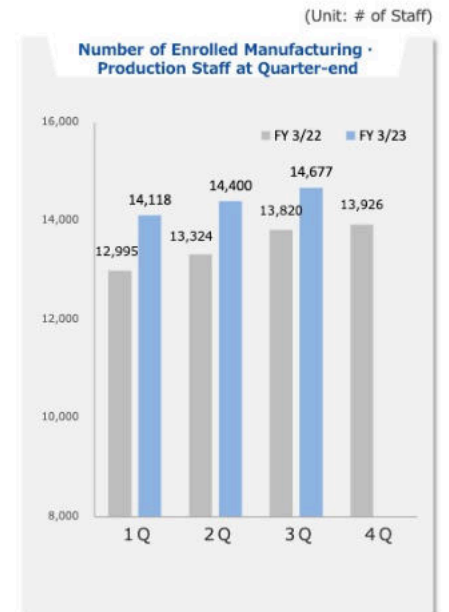


Net Sales

Manufacturing • production net sales in 3Q increased by 9.5% YoY, partly due to an increase in the number of enrolled staff and an increase in billing unit-costs.

Number of Enrolled Staff

The number of enrolled manufacturing • production staff increased by 857 YoY. Needs for manufacturing-related human resources were strong, and the number of enrolled staff increased partly due to an improvement in the turnover rate.



Now, let me provide an explanation about our Manufacturing • Production Human Resources

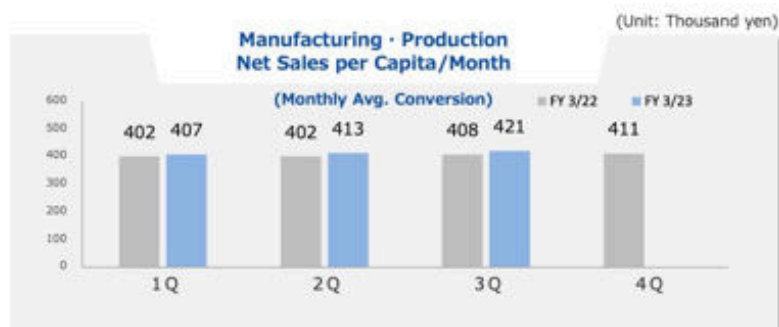
Services. Net sales increased by 9.5% year-on-year, and the number of enrolled Manufacturing · Production staff increased by 857 year-on-year. The number of staff continued to expand steadily, with an increase of 282 from the first to the second quarter, and an increase of 277 from the second to the third quarter.

Manufacturing · Production Human Resources Services

Manufacturing · Production Human Resources Services

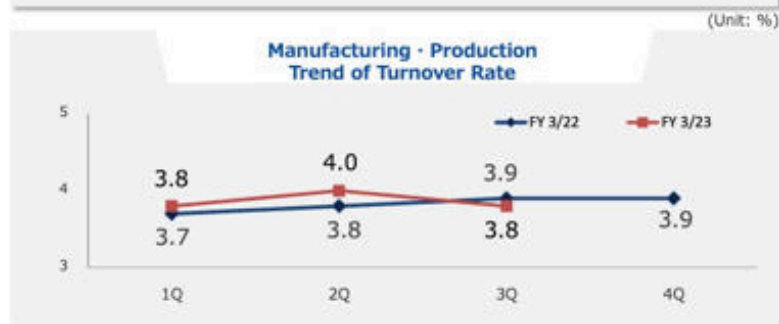
Net Sales per Capita/Month

Manufacturing · production net sales per capita increased by 3.1% YoY.



Turnover Rate

The manufacturing · production turnover rate improved by 0.1 percentage points YoY to less than 4%.



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Net sales per capita in Manufacturing · Production Human Resources Services increased by 3.1% year-on-year.

Although there were some concerns that the "turnover rate was slightly rising", it has finally settled down, and has improved by 0.1 percentage points from the corresponding period of the previous year. Furthermore, since the line graph on the slide is a moving average, the turnover rate is actually even lower than this.

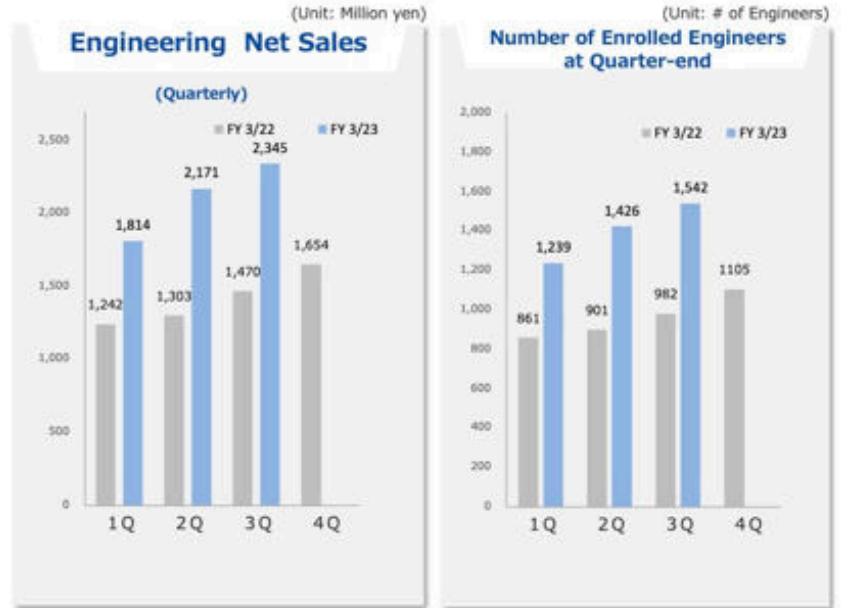
Engineering Human Resources Services

Net Sales

Engineering net sales in 3Q increased by 59.5% YoY.

Number of Enrolled Engineers

The number of enrolled engineers increased by 560 YoY. NISSO continued to the promotion of career changes to engineers, strengthened new hiring, and increased the number of enrolled engineers.



Our Engineering Human Resources Services are also growing very steadily. Net sales in the third quarter increased by 59.5% year-on-year.

The number of enrolled engineers also increased by 560 year-on-year. It increased steadily by 187 from the first quarter to the second quarter, and although it slowed down slightly, it increased by 116 from the second to the third quarter.

At NISSO, approximately 20% of new graduates and mid-career hires are trained as engineers. The remaining 80% are veterans already working at manufacturing sites, and by developing and promoting such personnel, I believe we can achieve extremely stable growth.

Engineering Human Resources Services

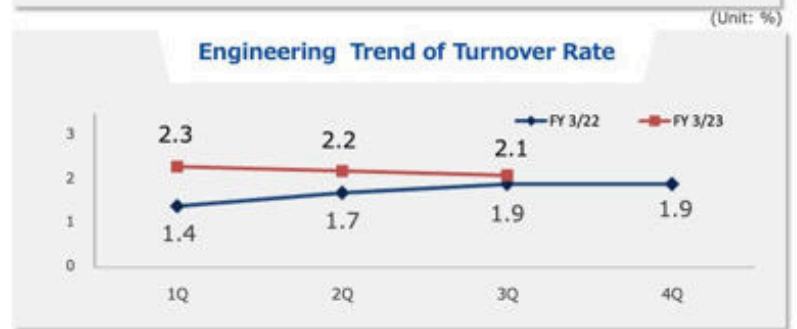
Net Sales per Capita/Month

Engineering net sales per capita increased by 2.2% YoY.



Turnover Rate

Although the engineering turnover rate decreased by 0.2 percentage points YoY, the trend of improvement has continued from 1Q of this fiscal year.



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Net sales per capita in Engineering Human Resources Services increased by 2.2% year-on-year. Unfortunately, due to the large number of entry-level engineers, net sales remained at the levels shown on the slide. However, we believe we can increase our net sales per capita by reviewing the curriculum and further improving our training capabilities in the future.

On the other hand, since the turnover rate has decreased by 0.2 percentage points year-on-year, and has been declining gradually overall, I believe we will be able to get it below 2% very soon.

Toward the Growth of Engineering Human Resources Services

【Semiconductor Field】

Opening of Kumamoto Training Center

In order to respond to the shortage of human resources at semiconductor-related companies, NISSO has announced a plan to open a training center in Kumamoto Prefecture, which is scheduled to open in April 2023.

Participation in Chugoku Regional Semiconductor Industry Promotion Council

Following the Tohoku "Semiconductor and Electronics Design Study Group" of the Tohoku Bureau of Economy, Trade and Industry, we will participate in the Chugoku Regional Semiconductor Industry Promotion Council.

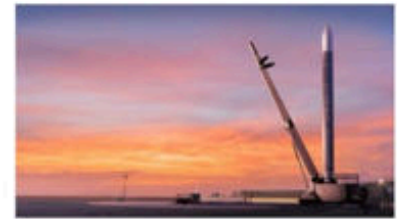
URL: https://www.nisso.co.jp/news/chugokukeizaisangyoukyoku_1/ (In Japanese only)

【Engineering Field】

Conclusion of Partnership Agreement with Interstellar Technologies Inc.

With the vision of "creating a future where everyone can reach space", NISSO has concluded a partnership agreement on the utilization of human resources with Interstellar Technologies Inc., a rocket development venture company headquartered in Taiki-cho, Hiroo-gun, Hokkaido. We will contribute to the space industry, which is projected to exceed 100 trillion yen in 2040.

We aim to develop high value-added human resources by enhancing cooperation with local communities, semiconductor-related manufacturers, and NISSO's training centers.



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Next, let me provide an explanation about the growth of our Engineering Human Resources Services, which is closely related to our next Account. First, we have introduced semiconductor equipment and trained human resources at the Technical Center Higashi-Nihon and Technical Center Naka-Nihon, and we will finally open the Kumamoto Training Center in April 2023.

From our conversations with semiconductor manufacturers, I feel that there is an extremely high need for high value-added human resources necessary to establish mass-production technology. The Kumamoto Training Center is a facility for developing such human resources. NISSO has a training structure unlike any other company.

Although we are still in the process of experiencing the pains of creation, we believe that by assigning properly trained human resources to our clients, our credibility will be further enhanced as a result. I believe that by increasing our recruitment and training capabilities, we will also be able to increase our market share.

Second, following our affiliation with the Tohoku Bureau of Economy, Trade and Industry and the Tohoku Semiconductor and Electronics Design Study Group, we will also participate in the Chugoku Regional Semiconductor Industry Promotion Council.

In the Kyushu area, centered on Kumamoto, which is currently the most thriving area, and the Tohoku area, where there is large number of semiconductor shipments, as well as the Chugoku area, we will create a foundation for mass-production technology while providing each region

and our clients with a structure to develop semiconductor-related personnel.

Third, we concluded a partnership agreement with Interstellar Technologies Inc. Interstellar Technologies is a company that is taking on the challenge of the space business of launching rockets. You may be wondering, "Why is NISSO in the space business?"

Until now, we have been actively engaged in "How to provide the necessary human resource services in the manufacturing field in the future". Under such circumstances, we would like to change the careers of human resources in the existing manufacturing industry to the space industry, which is expected to grow in the future.

We decided to actively take on the challenge of "reskilling", which is often said these days, and concluded a partnership agreement with Interstellar Technologies for the utilization of human resources.

After discussions with the people of this company, I was very impressed with the fact that this is a field in which we can utilize the foundation of various MONOZUKURI (manufacturing) that have already existed in Japan. In addition, we have high expectations for the space industry, which is expected to become a 100 trillion yen industry by 2040, so we intend to actively take on challenges in this field as well.

Administrative • Other Human Resources Services



Administrative • Other Human Resources Services

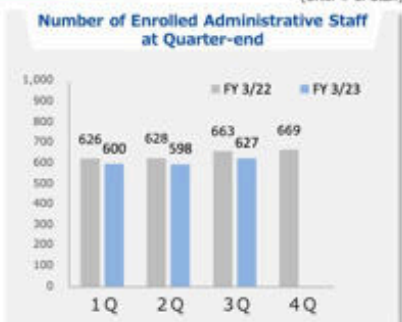
Administrative Human Resources Services

Administrative net sales in 3Q decreased by 11.0% YoY due to a decrease in the number of enrolled administrative staff.

(Unit: Million yen)



(Unit: # of Staff)



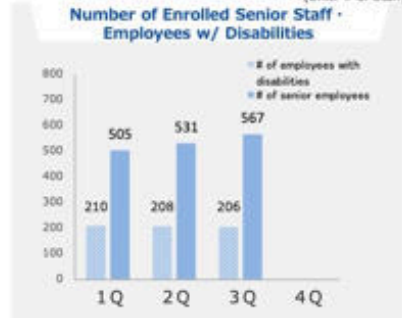
Other Human Resources Services

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

(Unit: Million yen)



(Unit: # of Staff)



Next, I would like to talk about our Administrative • Other Human Resources Services. As call centers and data centers, which have the greatest needs, are being replaced by new technologies, unfortunately, I believe the field of general office work will continue to taper off in the future.

Even in such a situation, we would like to take a firm look at the human resources needed in the new administrative areas of the new era, such as the utilization of foreigners for areas that cannot be handled by the Japanese people alone.

Please refer to "Other Human Resources Services" at the bottom of the slide. We would like to take on this challenge in particular. For example, Nikon Nisso Prime is building a model that allows older employees to flourish, and Nisso Pure is building a model that allows employees with disabilities to flourish.

There is also the expression "diversity", but we would like to create a model that is a little more practical and in-depth. I think the important point is to integrate the "model that nurtures people" and the "model that allows people to flourish" when building such a model.

As technology continues to evolve, the qualities and skills required of human resources are changing. We believe that it is necessary to create a human resources development model that can respond to these needs, and provide the people we have developed to each of our clients.

Nursing Care•Welfare Services

Points

- The occupancy rate of nursing care facilities overall has remained above 90%.
- Net sales increased by 1.4% YoY.

● Results of Nursing Care · Welfare Services

(Unit: Million yen)

	FY 3/22 3Q	FY 3/23 3Q	Year-on-Year	
	Results	Results	Increase (Decrease)	% Change
Net sales	2,240	2,271	31	1.4%



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Now, I would like to talk about our Nursing Care · Welfare Services. The overall occupancy rate of nursing care facilities remained unchanged at 93.3%, and has been generally steady. Net sales increased by 1.4% year-on-year, and we are completely out of deficit.

In the future, we will use these facilities to conduct various trials for our new healthcare and medical business fields, which I believe will lead to the meaning of sustaining this business.

Topics

Start of Consideration of Transition to a Holding Company Structure

With technological innovation and globalization, the needs of clients and workers are diversifying, and the business environment surrounding the Nisso Group is changing rapidly, such as the progress of Society 5.0. In order to flexibly respond to such changes in the business environment and achieve sustainable growth, we believe that it is necessary to restructure the Nisso Group structure with the aim of further improving management efficiency, and have begun considering a transition to a holding company structure. With regard to the timing of the transition to a holding company structure, NISSO's basic policy is to implement the transition within the 2023 fiscal year, and we plan to examine the optimal method for the transition in the future.

Formulation of Nisso Group Tagline

The Nisso Group, led by NISSO CORPORATION, has formulated a new Nisso Group brand message for the next era beyond the 50 years since our founding.

<Nisso Group Tagline Message>

Making hardworking people, happy.

It is a brand message that expresses the desire to continue to be a warm "place to belong" where people can find their own value by "working", growing, and realizing their hopes and dreams. Through our new brand message, we will develop into a corporate group that responds to social changes and provide new value to our stakeholders.



<https://www.nisso.co.jp/tagline/>
(In Japanese only) 25

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These are our topics. First, as we have already announced, we will start the consideration of a transition to a holding company structure.

Amid the rapidly changing business environment surrounding the Nisso Group, we believe it is necessary to restructure the Group structure with the aim of further improving management efficiency in order to flexibly respond to changes in the business environment and achieve sustainable growth. To this end, we intend to raise the gear and go on the offensive.

Second, we have formulated a tagline for the Nisso Group. Our brand message is "Making hardworking people, happy". We conduct group management with the mission of "Creating opportunities and hopes for people to work". My personal theory is that "a human resources company that is not supported by its future workers cannot grow".

"Making hardworking people, happy." is, of course, rewarding them with treatment (compensation), and also creating various things such as dreams and hopes for the future. I hope you will understand that this is a group tagline for becoming a company that is supported by the labor market.

FY 3/2023 Revision of Full-year Consolidated Forecast

Revision of Consolidated Forecast

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

(Unit: Million yen)

Based on recent business performance trends, NISSO has revised the Full-year Consolidated Forecast for FY 3/2023 (April 1, 2022 ~ March 31, 2023) which was announced on May 12, 2022.

For details, please refer to the "Notice of Revisions of Full-year Consolidated Forecast for the Fiscal Year Ending March 31, 2023" announced on February 6, 2023.

	Previous Forecast		Present Revised Forecast		Change from Previous Forecast	
	Forecast	% of Total	Forecast	% of Total	Increase (Decrease)	% Change
Net sales	88,600	100.0%	91,000	100%	2,400	2.7%
Operating profit	2,700	3.0%	2,200	2.4%	(500)	(18.5)
Ordinary profit	2,700	3.0%	2,300	2.5%	(400)	(14.8)
Profit attributable to owners of parent	1,800	2.0%	1,500	1.6%	(300)	(16.7)

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These are our future prospects. Although it is very regrettable, we have made downward revisions to our full-year consolidated earnings forecast. I will explain the factors behind this.

As I have mentioned earlier, the first is the impact of production adjustments due to parts shortages, mainly in semiconductors. In our scenario, we expected normalization from the beginning of the year, but this lingering impact remains as a major factor.

The second factor is the lackluster sales of communication equipment-related devices, such as PCs and smartphones, and as a result, the demand for related parts has declined. Since there are a considerable number of semiconductors and passive components installed in automobiles, under normal circumstances, we would have liked to supplement them with automobiles.

However, the recovery was not significant enough to compensate for this, and as a result, we also slowed down in the field electronic devices to some extent.

Third, the we were greatly affected by the eighth wave of COVID-19 around the year-end and New Year holidays. This resulted in very low occupancy rates, especially in December, when the operation rate fell below 90%. This effect continued in January, resulting in lost opportunities.

Originally, we wanted to start taking recovery measures from the beginning of the year.

However, shipments were prevented by heavy snow that made it impossible to keep vehicles in stockyards, mainly in the automobiles-related industry.

Despite these three negative factors as mentioned above, there were also positive factors.

As I mentioned earlier, firstly, we have been able to hire people at a much lower cost per person compared to other companies by recruiting mainly through our corporate website, despite the difficulty of recruitment. As a result of this investment, we were able to achieve the top line, exceeding the previous and initial plans.

The second is about the engineering area. We have successfully increased the number of engineers in our engineering business faster than initially planned.

Although we call it a development model, since the characteristic of developing engineers is that upfront investment inevitably increases, the investment phase will still continue. So, please wait a little longer since we believe those engineers who are starting to flourish will be able to earn and absorb our investment in them.

Third, which is closely related to the next fiscal year, is that we were able to firmly lay the groundwork for the semiconductor area and new fields, which has had a very positive impact. Due to our relationship with our partner, unfortunately, I cannot go into the details here, but I would like to carefully explain how we are laying the groundwork for the new areas we are going to attack in the fourth quarter or next fiscal year.

I would like to talk now about our approach to the full-year consolidated earnings forecast. Although we have gathered the information available to us, mainly from our major clients, unfortunately, I think the truth is that our business partners are not sure about how things may change after mid-February.

In light of this situation, we would like to proactively disclose information to you in the event that any changes that are significantly different from what we currently anticipate occur.

We have no intention of lowering our targets for net sales of 100 billion yen and operating profit of 4 billion yen for the next fiscal year. In fact, we believe that net sales will actually be even higher than that. I think it will be up to management to decide how to secure an operating profit of 4 billion yen toward that goal and how we create a structure to generate an operating profit of 6.7 billion yen moving forward. In addition, we will explain the plan for the next fiscal year in May.

Since it is a very delicate time, we will carefully explain any changes as they occur, so I would like to kindly ask for your understanding.

Shareholder Return Policy

Shareholder Return Policy

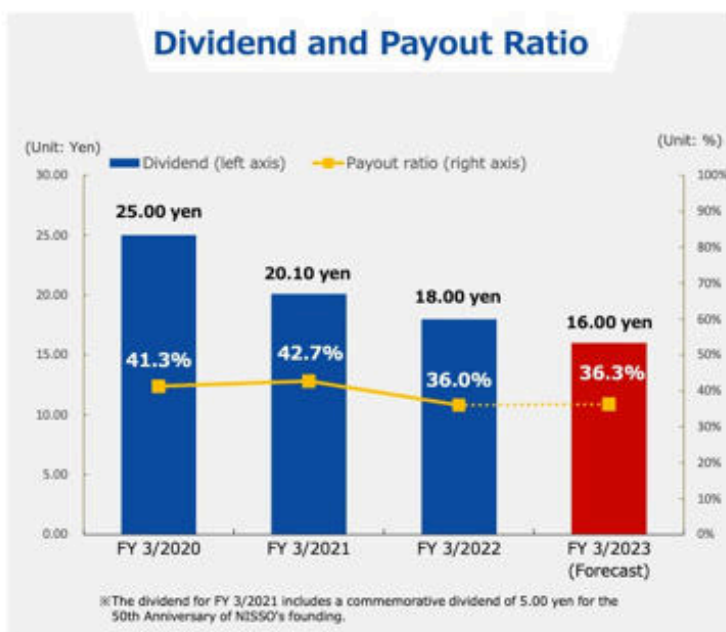


Basic Policy

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

Although NISSO has revised the earnings forecast, the dividends per share forecast (16.00 yen) remains unchanged. This will result in a dividend payout ratio of 36.3%.



This is about our shareholder return policy. Please refer to the graph on the slide. Although it pains me to see a slight decline, we intend to keep it at 16 yen as we initially promised. As a result of simulating the current situation, we would like to pay dividends with a payout ratio of 36.3%.

Going forward, all of our employees will strive together to stably increase dividends while increasing the profit margin. We would appreciate your acknowledgment of our belief that net sales and profits for the next fiscal year will be at the highest level since our listing.

Consolidated Balance Sheet

Consolidated Balance Sheet



(Unit: Million yen, %)

	Mar. 2022-end		Dec. 2022-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	19,068	69.4	21,042	72.3	1,974
Cash and deposits	8,779	32.0	8,819	30.3	39
Notes and accounts receivable - trade	9,390	34.2	11,073	38.1	1,682
Non-current assets	8,394	30.6	8,057	27.7	(337)
Property, plant and equipment	4,578	16.7	4,577	15.7	(0)
Intangible assets	1,667	6.1	1,535	5.3	(131)
Investments and other assets	2,149	7.8	1,944	6.7	(205)
Total assets	27,462	100.0	29,100	100.0	1,637
Current liabilities	10,411	37.9	11,721	40.3	1,310
Accrued expenses	5,381	19.6	6,445	22.2	1,064
Income taxes payable	395	1.4	129	0.4	(265)
Provision for bonuses	1,058	3.9	732	2.5	(326)
Non-current liabilities	3,492	12.7	3,236	11.1	(255)
Long-term loans payable	2,509	9.1	2,141	7.4	(367)
Total liabilities	13,903	50.6	14,958	51.4	1,054
Shareholders' equity	13,540	49.3	13,878	47.7	337
Non-controlling interests	-	-	242	0.8	242
Total net assets	13,559	49.4	14,141	48.6	582
Total liabilities and net assets	27,462	100.0	29,100	100.0	1,637

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 Overall

As a result of the above, total assets increased by 6.0%, total liabilities increased by 7.6%, and total net assets increased by 4.3%, resulting in an equity ratio of 47.8% compared to the end of the previous fiscal year.

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The consolidated balance sheet is included as supplementary material, so please refer to it at your own convenience.

This concludes my explanation of the third quarter. Thank you very much for your undivided attention.