

# Q&A: Estimated number of enrolled staff and recruitment costs at the end of the current fiscal year

## Number of Enrolled Staff (NISSO, Non-consolidated)

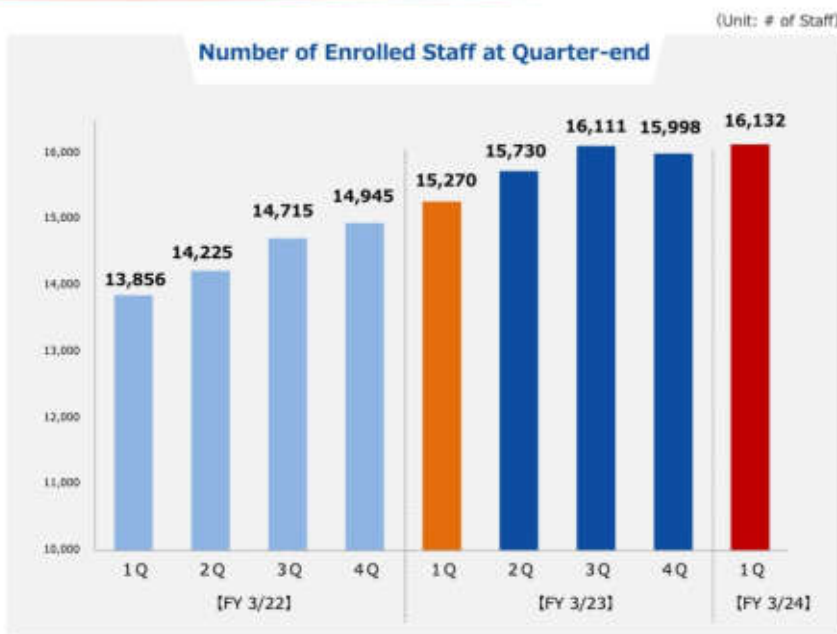
### Year-on-Year

+862 staff (+5.6%)

### Point

#### Highest enrollment achieved since NISSO's listing

- Due to the curbing of enrolled staff leaving NISSO, enrollment reached a record high since NISSO's listing.
- Human resources needs in the Automotive Industry were strong, which led to an increase in the number of enrolled staff.



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14

**Questioner:** You said that the recruitment process has been very difficult, but how many people do you expect to be enrolled at the end of the current fiscal year? Has the recruitment cost per capita gone up?

**Shimizu:** Our target number of enrolled staff at the end of the quarter is a little over 17,000. We plan to increase the number by a little more than 1,000 per year.

The recruitment environment is mainly driven by Automotive Industry. However, as more devices are added to the menu in the future, we believe that more than 17,000 staff will come into view.

As for recruitment costs, we expected more in the future. In order to achieve our goal of increasing the number of staff by 1,000 in the future, we plan to invest a reasonable amount of money in September, October, and November, so we think that the recruitment cost per capita will also increase a little.

# Q&A: Seasonality of operating profit in 1Q

## FY 3/2024 1Q Consolidated Financial Results Highlights

(Unit: Million yen)

### Points

#### Operating profit increased by 92.9% YoY

- Net sales increased by 15.4%, partly due to an increase in the number of enrolled staff and a gradual recovery in operations in the Automotive Industry.
- Other Businesses (Nursing Care · Welfare Services) increased revenue and profits YoY.

	FY 3/2023 1Q		FY 3/2024 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	20,501	100.0%	23,660	100.0%	3,158	15.4%
Gross profit	3,114	15.2%	3,722	15.7%	608	19.5%
SG&A expenses	2,854	13.9%	3,221	13.6%	367	12.9%
Operating profit	259	1.3%	500	2.1%	241	92.9%
Ordinary profit	313	1.5%	511	2.2%	197	62.9%
Profit attributable to owners of parent	182	0.9%	316	1.3%	134	73.8%

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5

**Questioner:** Regarding the profit level, operating profit for the first quarter amounted to 500 million yen compared to the full-year forecast of 3.6 billion yen. For example, there may be recruitment costs, new staff who are not yet in operation, and other factors, but are these seasonal factors stronger than usual?

**Shimizu:** Operating profit was initially expected to be about 400 million yen on a consolidated basis, but as a result, it was 100 million yen higher than expected. Although there are various costs involved, one of the factors was that the recruiting costs were not so high.

The first quarter is the least profitable of the four quarters. Given the short monthly operating hours on the calendar, I believe that being able to generate 500 million yen in this situation is by no means a bad situation.

Currently, since our focus is centered on the Automotive Industry, things will change when the other two industries return to normal in the second half, and both are able to drive sales to generate profits. Normally, if the profit is 1 in the first half, it will double in the second half, but this year we are proceeding with a simulation where the profit will likely be 2.5 times higher in the second half than in the first half, so we believe that we are never behind.

## **Q&A: Operational status of Manufacturing • Production Human Resources Services**

**Questioner:** Regarding the operational status of human resources, you explained that operating rates, particularly for Manufacturing • Production Human Resources Services, are recovering relatively smoothly. Although net sales per capita have increased due to the rising unit-costs, the average operating hours per capita were low, about 180 hours per month. Please tell us specifically what the situation is.

**Shimizu:** Despite the shorter operating hours, some automobiles manufactures have returned to about 90% of normal overtime hours as semiconductor procurement has become relatively steady.

However, other automobiles manufactures have been unable to recover production, and as a result, when looking at the overall situation, overtime is about 70% to 80% of normal levels.

In addition, in the electronics and semiconductor memory fields, overtime is roughly half what it used to be. Decreasing overtime hours per capita has had a significantly negative impact on both sales and profits.

**Questioner:** You said that the number of operating personnel is relatively steady, but what is the situation that only overtime is decreasing?

**Shimizu:** Since the number of enrolled staff is equal to the number of operating personnel due to regular employment, it means that 100% of our staff are operational.

Although production in both the automobiles-related and electronics-related industries is proceeding as planned, we have yet to reach the point where overtime is fully utilized in our production activities.

Specifically, it is related to inventory adjustments in the semiconductor and electronics-related industries, and in the automobiles-related industry, it is due to the running out of key devices, including power semiconductors.

## **Q&A: Operational status of new graduate engineers**

**Questioner:** You stated that this year there were 128 new graduate engineers, and that about 70 of them would be in operation from July onwards. So, as of the end of July, after about two months of training, I think it means that about half of them have been decided, but is it safe to assume that things are progressing smoothly?

**Shimizu:** It is my understanding that things are going well. Since July, 70 of them, mainly for equipment maintenance and equipment engineers, have been assigned. As a new graduate, there are individual differences. We constantly have access to our clients to monitor the new graduates' level of acquisition of basic skills, and then assign them to the clients sequentially.

From 128 new graduates receiving training without being assigned, more than half, 70 to be exact, have been assigned, so It is not at all a slow pace, but rather a normal one.

## Q&A: Factors behind the significant quarter-on-quarter decrease in operating profit

### FY 3/2024 Quarterly Consolidated Financial Results



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6

**Questioner:** What do you see as the reason, other than seasonality, for the decrease in operating profit from 869 million yen in the fourth quarter of last year to 500 million yen, while net sales were at about the same level? Please provide detailed disclosure with regard to costs, such as whether the cost of acquiring new human resources was higher than usual or whether other expenses were incurred.

**Shimizu:** I would like to explain NISSO's non-consolidated expenses, which accounts for nearly 90% of our consolidated sales. For us, the first quarter is a time for investment. First of all, regarding costs, costs will expand due to the entry of new graduates and their education period in the first quarter. As a result, the gross profit decreases by about 100 million.

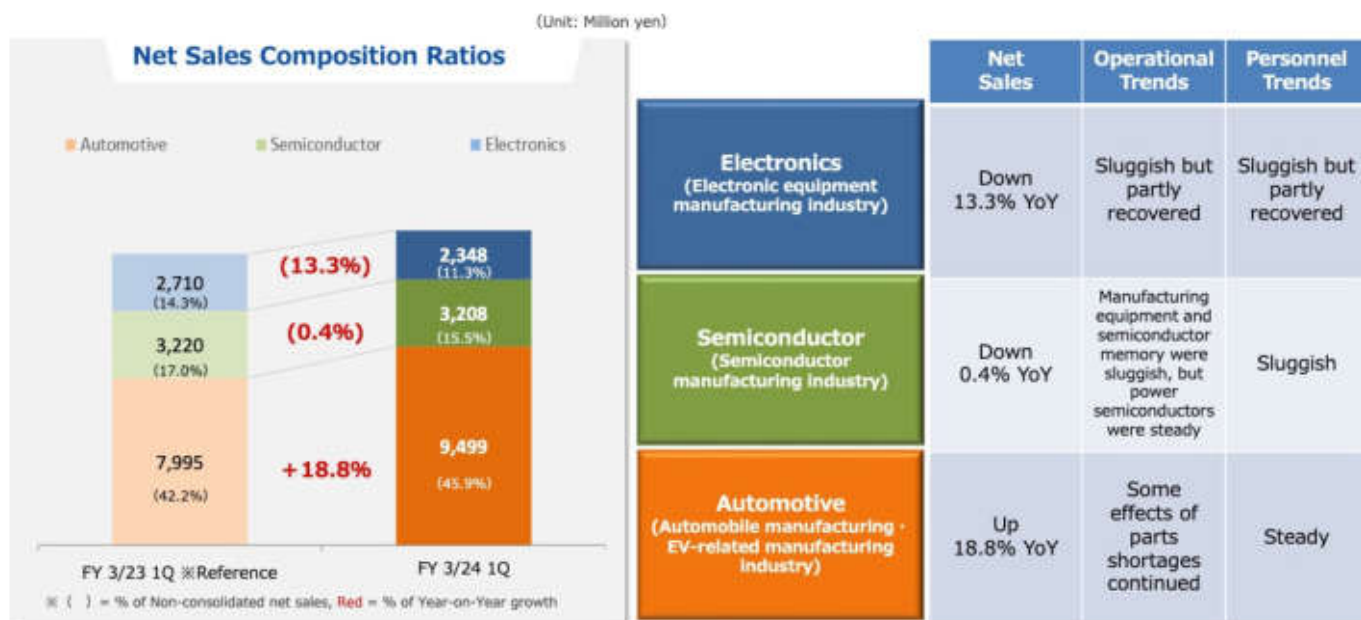
In addition, SG&A expenses increased by about 100 million yen due in part to the increase in sales and administrative personnel, the improvement in their treatment (salaries), as well as procurement costs related to the hiring of new graduates. As a result, operating profit is reduced by about 200

million yen. However, this has happened in previous years, and it does not mean that any major expenses or other costs were incurred, but that these expenses are within the scope of our plans.

## Q&A: Net sales by industry



### FY 3/2024 1Q Net Sales by Industry (NISSO, Non-consolidated)



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11

**Questioner:** In terms of net sales by industry, please tell us about any reclassifications made at the end of the first quarter.

**Shimizu:** We have not made any reclassifications. Although at the simulation level, to give you an idea of where we will land at the end of the year, we predict that both the Electronics Industry and Semiconductor Industry segments will see an increase in sales throughout the year.

What is needed for this is in our industry strategy. It will be necessary to firmly conduct business with companies other than our traditional Account Companies and actually assign personnel to them. We predict that both the semiconductor and passive components area will continue to trend upward.