



*Nurturing and Bringing Out
the Best in People*

日総工産株式会社
NISSO CORPORATION

TSE 1 Code: 6569

First Six Months of FY 3/2021

Financial Results Briefing Materials

November 10, 2020

FY 3/2021 2Q Results

- Decreased revenue and profits year-on-year
- The effects of the new coronavirus (COVID-19) has bottomed out overall
- The core automobiles-related industry has been on a recovery trend since June
- Equipment maintenance needs are strong

FY 3/2021 Consolidated Earnings Forecast

- Recovery is faster than originally planned, mainly for automobiles manufacturers
- Upward revision of previously announced forecasts based on recent business results

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First Six Months of FY 3/2021 (2Q) Financial Results Summary

FY 3/2021 2Q Consolidated Financial Results Highlights

(Unit: Million yen)

Points

- Due to the spread of COVID-19 infections, net sales in the General Human Resources Services Business decreased.
- Although SG&A expenses were restrained, operating profit declined by 35.2%.
- Ordinary profit decreased due to the recording of subsidy income under non-operating income.
- In Other Businesses, operating loss was recorded due to increased expenses, although revenues increased.

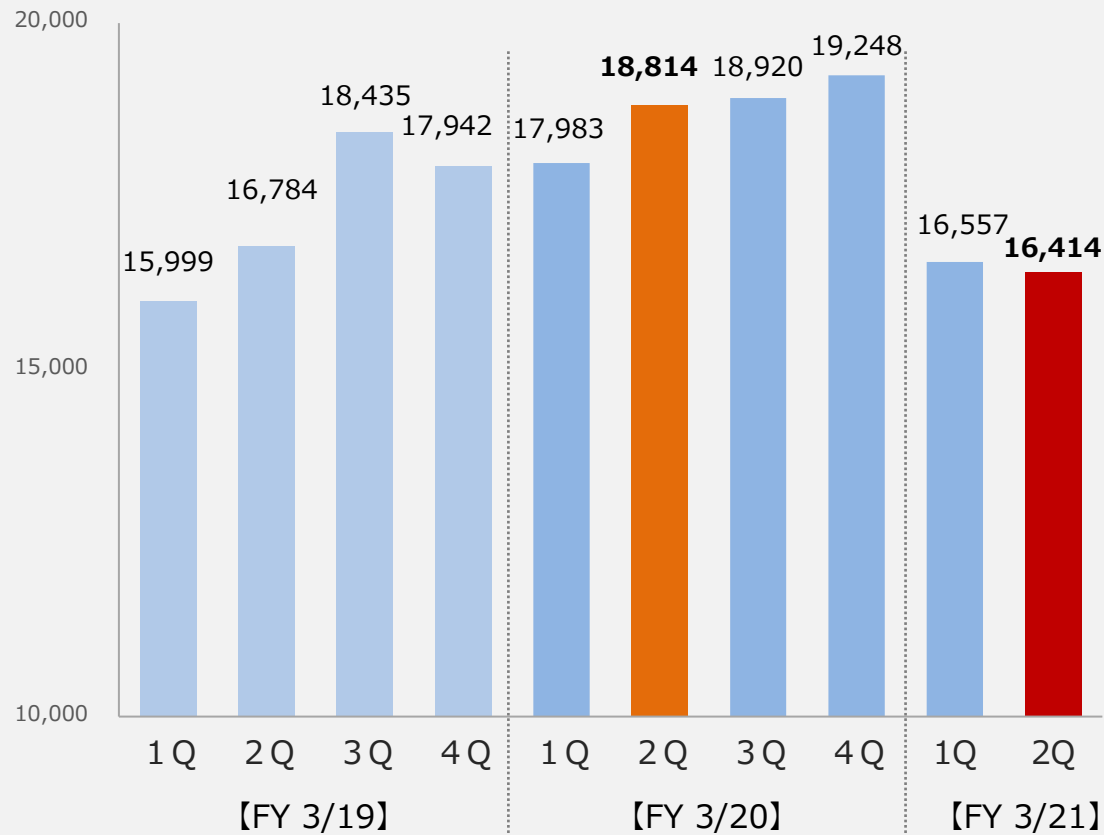
	FY 3/2020 2Q		FY 3/2021 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	36,797	100.0%	32,972	100.0%	(3,825)	(10.4%)
Gross profit	6,210	16.9%	5,093	15.4%	(1,117)	(18.0%)
SG&A expenses	5,082	13.8%	4,361	13.2%	(720)	(14.2%)
Operating profit	1,128	3.1%	731	2.2%	(396)	(35.2%)
Ordinary profit	1,154	3.1%	989	3.0%	(164)	(14.3%)
Profit attributable to owners of parent	785	2.1%	596	1.8%	(188)	(24.0%)

FY 3/2021 Quarterly Consolidated Financial Results



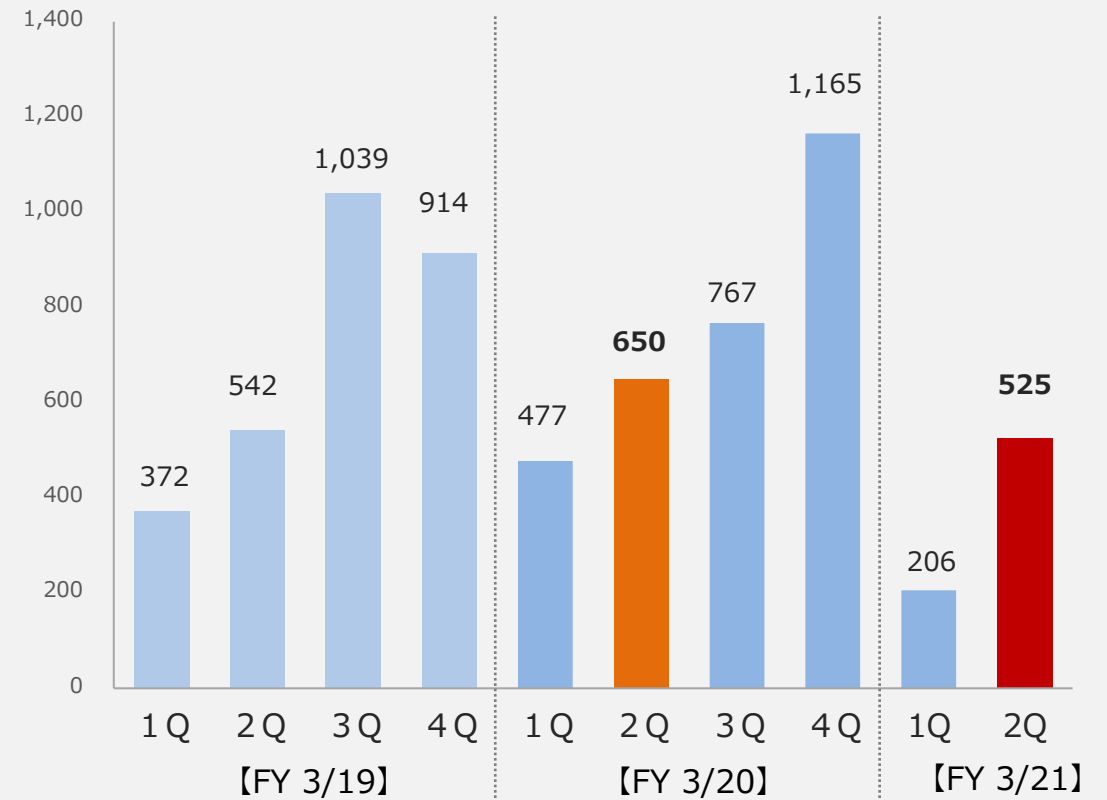
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit



FY 3/2021 2Q Non-consolidated Financial Results Highlights

(Unit: Million yen)

Net sales

- Overall net sales decreased by 11.2% year-on-year, mainly due to a decrease in enrolled staff, although production operations are on a recovery trend.

Expenses · Profits

- Due to the spread of COVID-19 infections, employee recruitment expenses continued to decline and SG&A expenses decreased by 14.2%.
- Subsidy income was recorded in non-operating income.

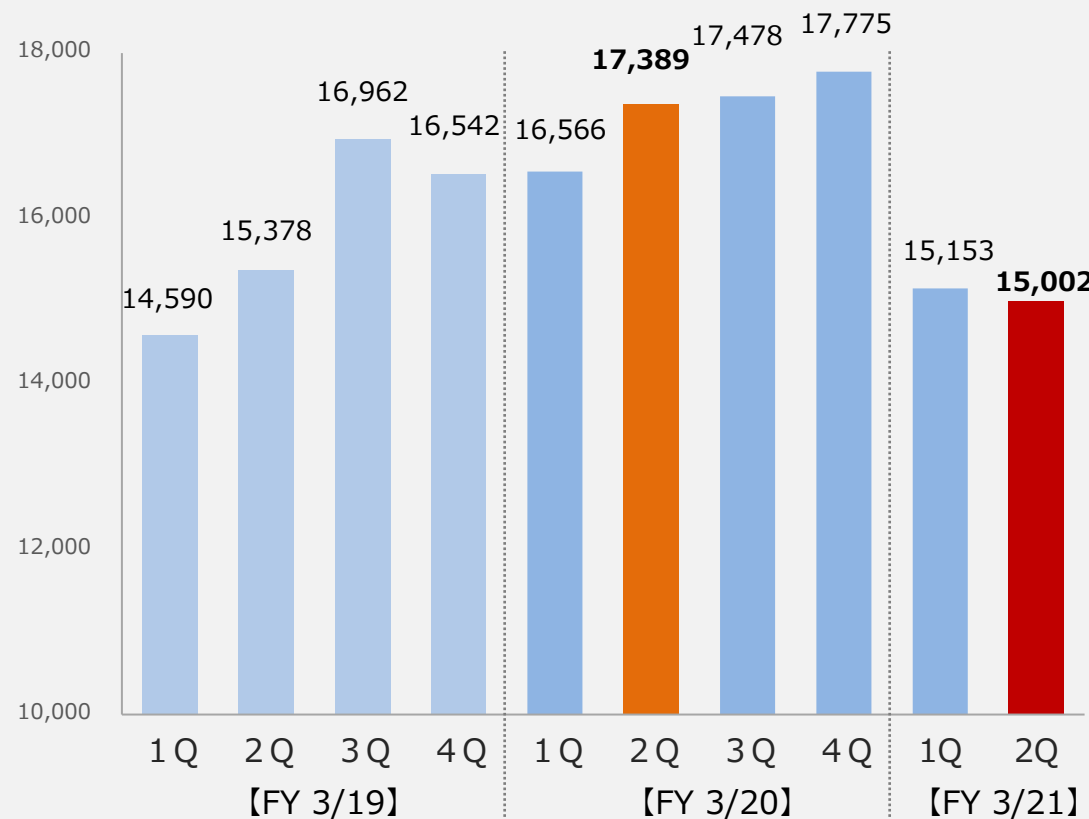
	FY 3/2020 2Q		FY 3/2021 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	33,955	100.0%	30,155	100.0%	(3,800)	(11.2%)
Gross profit	5,887	17.3%	4,839	16.0%	(1,048)	(17.8%)
SG&A expenses	4,756	14.0%	4,079	13.5%	(676)	(14.2%)
Operating profit	1,131	3.3%	760	2.5%	(371)	(32.8%)
Ordinary profit	1,136	3.3%	977	3.2%	(158)	(14.0%)
Profit	777	2.3%	605	2.0%	(171)	(22.0%)

FY 3/2021 2Q Quarterly Non-consolidated Financial Results



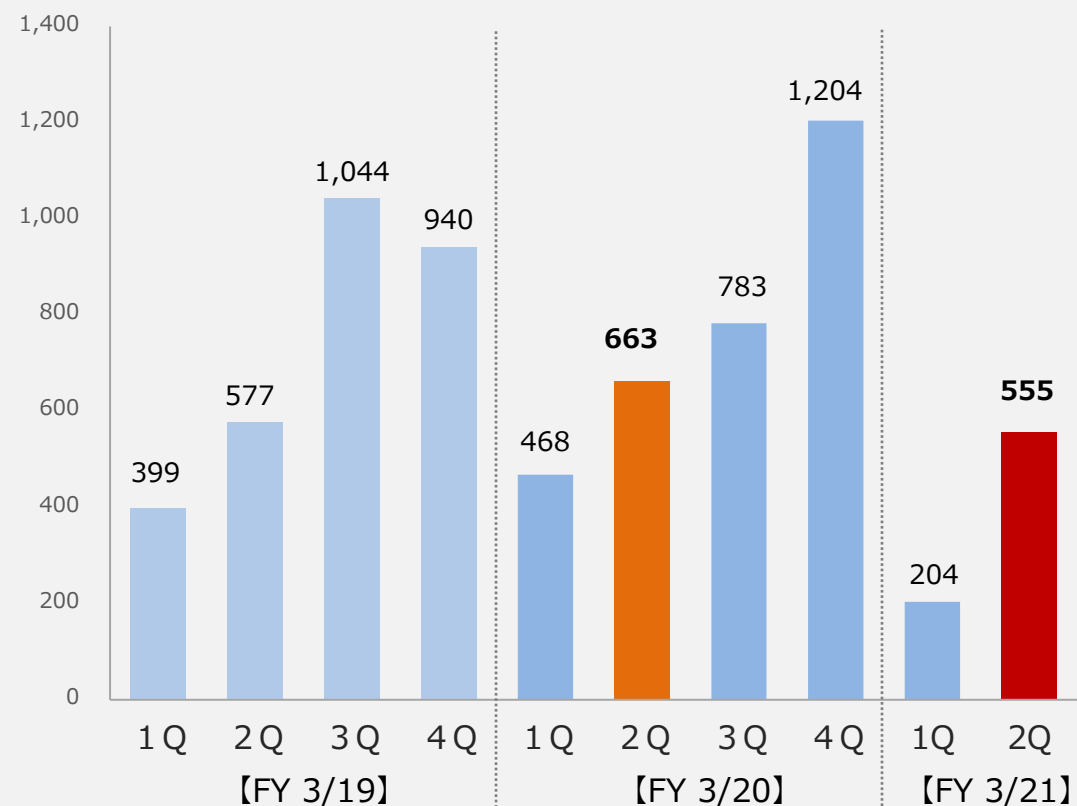
(Unit: Million yen)

Net sales



(Unit: Million yen)

Operating profit





2

First Six Months of FY 3/2021 (2Q) Overview of Activities

FY 3/2021 2Q Financial Results Summary



Consolidated Financial Results

Net Sales **32,972 Million yen** (-3,825 Million yen / -10.4% YoY)
Operating Profit **731 Million yen** (-396 Million yen / -35.2% YoY)

● Net Sales by Industry (YoY)

Automobiles ... **(18.6%)**
Electronic devices ... **+4.6%**

• In the automobiles-related industry, although net sales increased on a quarterly basis, due to the effects of a decrease in the number of enrolled staff, it decreased by 18.6% YoY. In the electronic-devices related industry, although semiconductor-related net sales remained firm, it only increased by 4.6% YoY due to a slump in electronic components.

● 2Q-end Number of Enrolled Staff

12,524 staff
(-2,246 staff from FY 3/20-end)

• The number of enrolled staff decreased by 2,246 compared to FY 3/20-end, and although client needs for external human resources were on a recovery trend, enrollment did not increase.

● Net Sales per Capita/Monthly

373 Thousand yen
(-20 Thousand yen YoY)

• The assignment of skilled staff to high unit-cost workplaces continued to be promoted; there was also a recovery in hours of operation (number of working days, overtime hours, holiday work, etc.), and net sales per capita increased compared to 1Q.

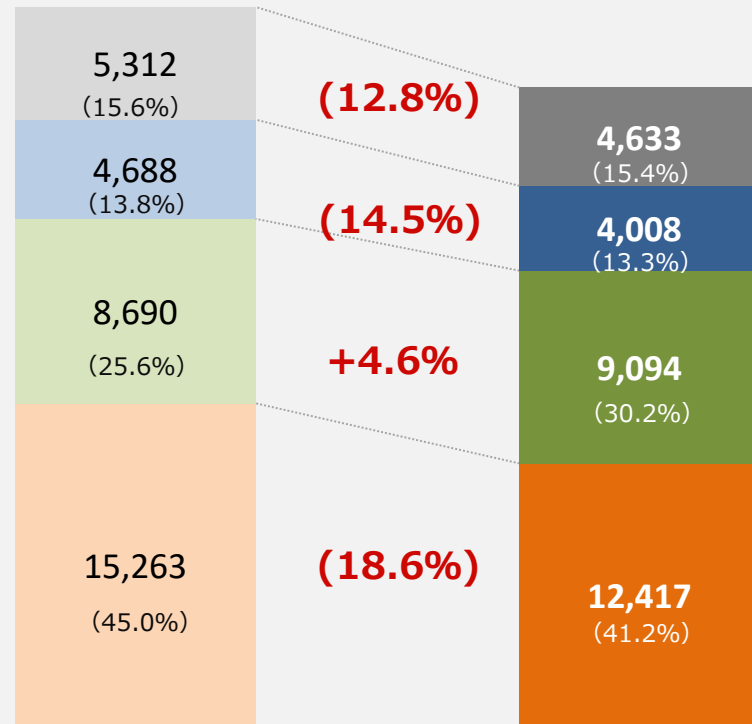
FY 3/2021 2Q Net Sales by Industry (NISSO, Non-consolidated)



(Unit: Million yen)

Net Sales Composition Ratios

Automobiles Elec. Devices Precision·Elec. Machinery Other



FY 3/20 2Q

FY 3/21 2Q

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

【Precision · Electrical Machinery】

Due to the spread of COVID-19 infections, demand for office-related equipment/machinery decreased, and net sales decreased by 14.5% YoY.

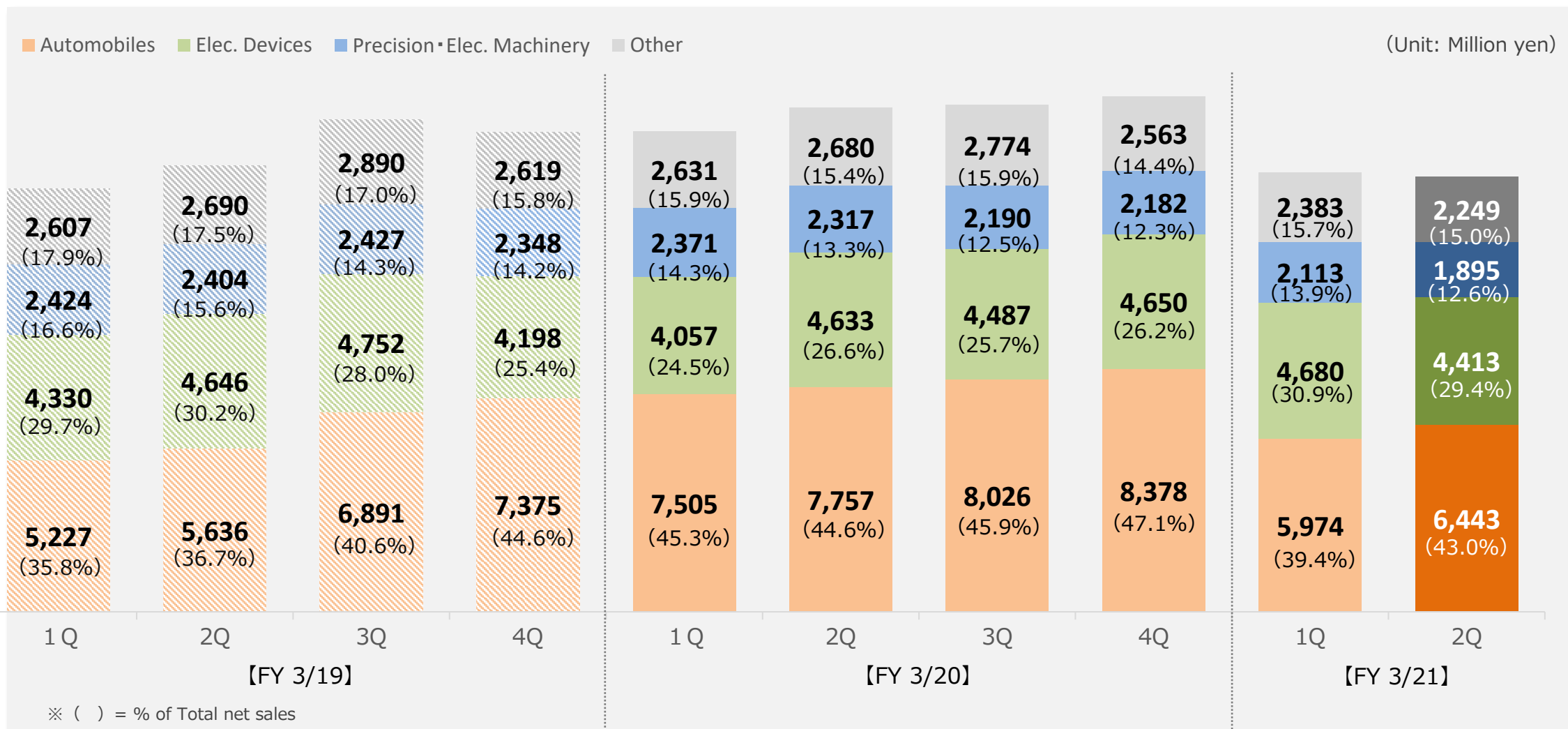
【Electronic Devices】

Semiconductor-related net sales continued to be strong due to the spread of teleworking and demand for servers, etc. On the other hand, electronic components-related net sales increased by only 4.6% YoY, partly due to inventory adjustments, etc.

【Automobiles】

Operations increased in line with recovery trends in exports and domestic production. Some manufacturers have increased the number of staff. Although net sales decreased by 18.6% YoY, it increased compared to 1Q.

FY 3/2021 Quarterly Net Sales by Industry (NISSO, Non-consolidated)



Net Sales per Capita (NISSO, Non-consolidated)

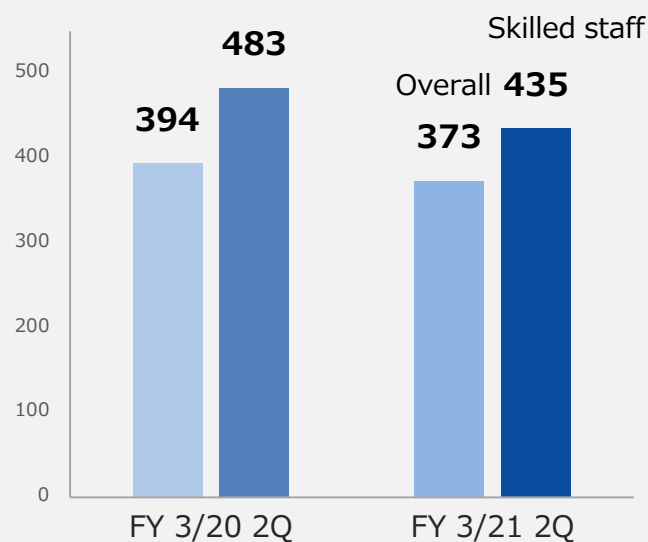


- FY 3/2021 2Q YTD <Overall net sales per capita> 373 Thousand yen (-20 Thousand yen YoY)
<Skilled staff net sales per capita> 435 Thousand yen (-48 Thousand yen YoY)
- Hours of operation (number of working days, overtime hours, holiday work, etc.) that had decreased due to the spread of COVID-19 infections have been on a recovery trend. Although they decreased YoY, they increased compared to 1Q. Billing unit-costs continued to increase.

(Unit: Thousand yen)

Net Sales per Capita

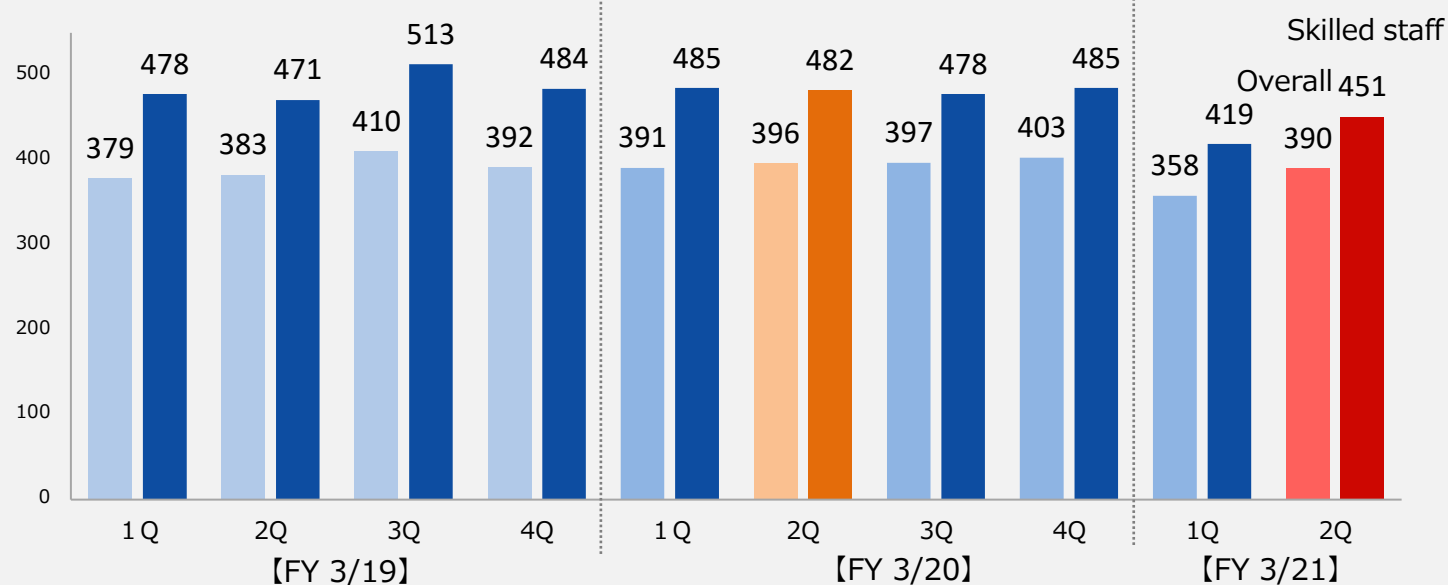
(Monthly Average Conversion)



(Unit: Thousand yen)

Net Sales per Capita

(Quarterly)



Number of Enrolled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Compared w. Previous FY-end

-2,246 staff (-15.2%)

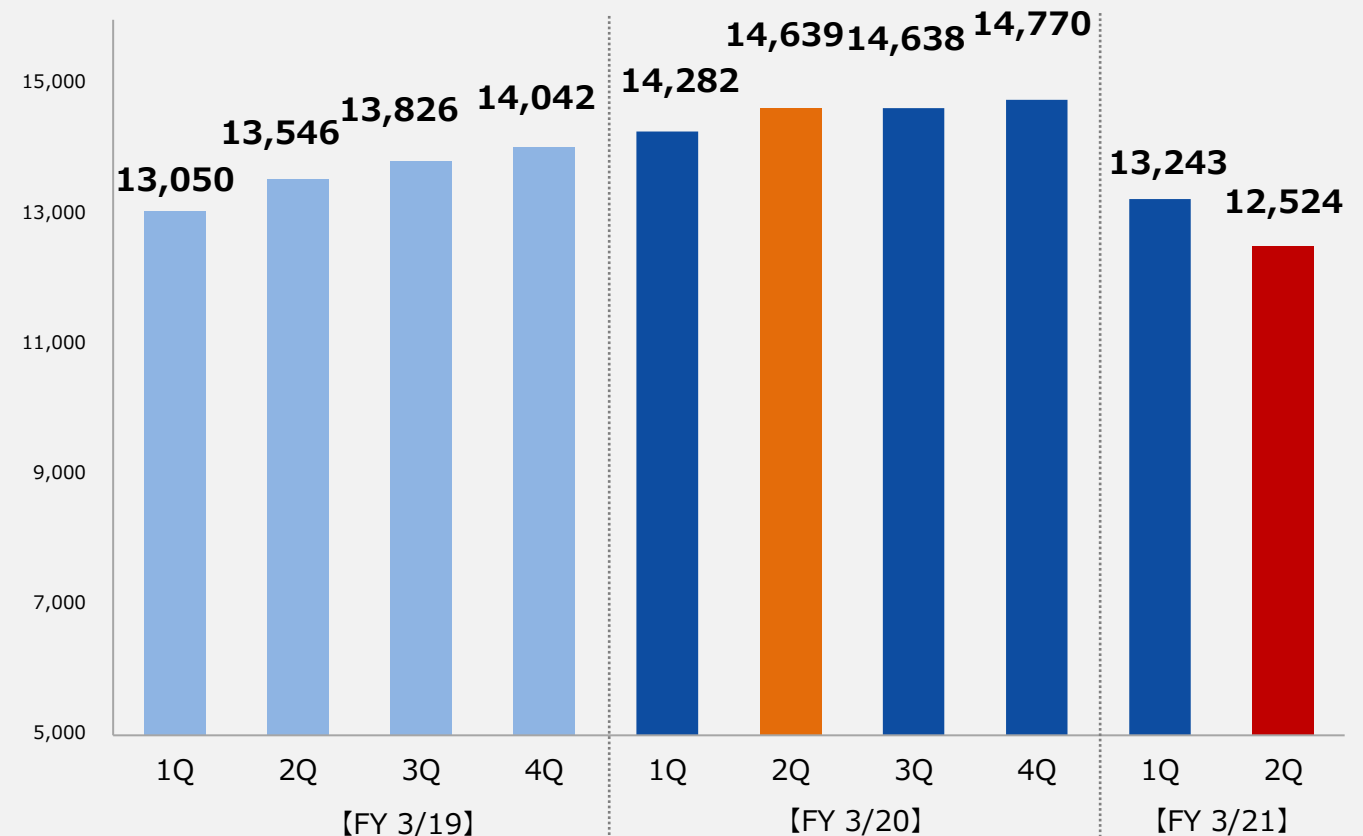
Point①

The effects of the spread of COVID-19 infections bottomed out in June, and the decline in the number of enrolled staff is beginning to come to a halt. The number of new enrolled staff has also increased from September.

Point②

The human resources needs of clients are on a recovery trend, especially in the automobiles-related industry. Some manufacturers have increased the number of staff.

Number of Enrolled Staff at Quarter-end



Number of Skilled Staff (NISSO, Non-consolidated)



(Unit: # of Staff)

Point①

The number of resignees increased due to the impact of reduced production by some suppliers. Due to the effects of the spread of COVID-19 (difficulty in transferring/moving out of the prefecture, etc.), the number of skilled staff decreased.

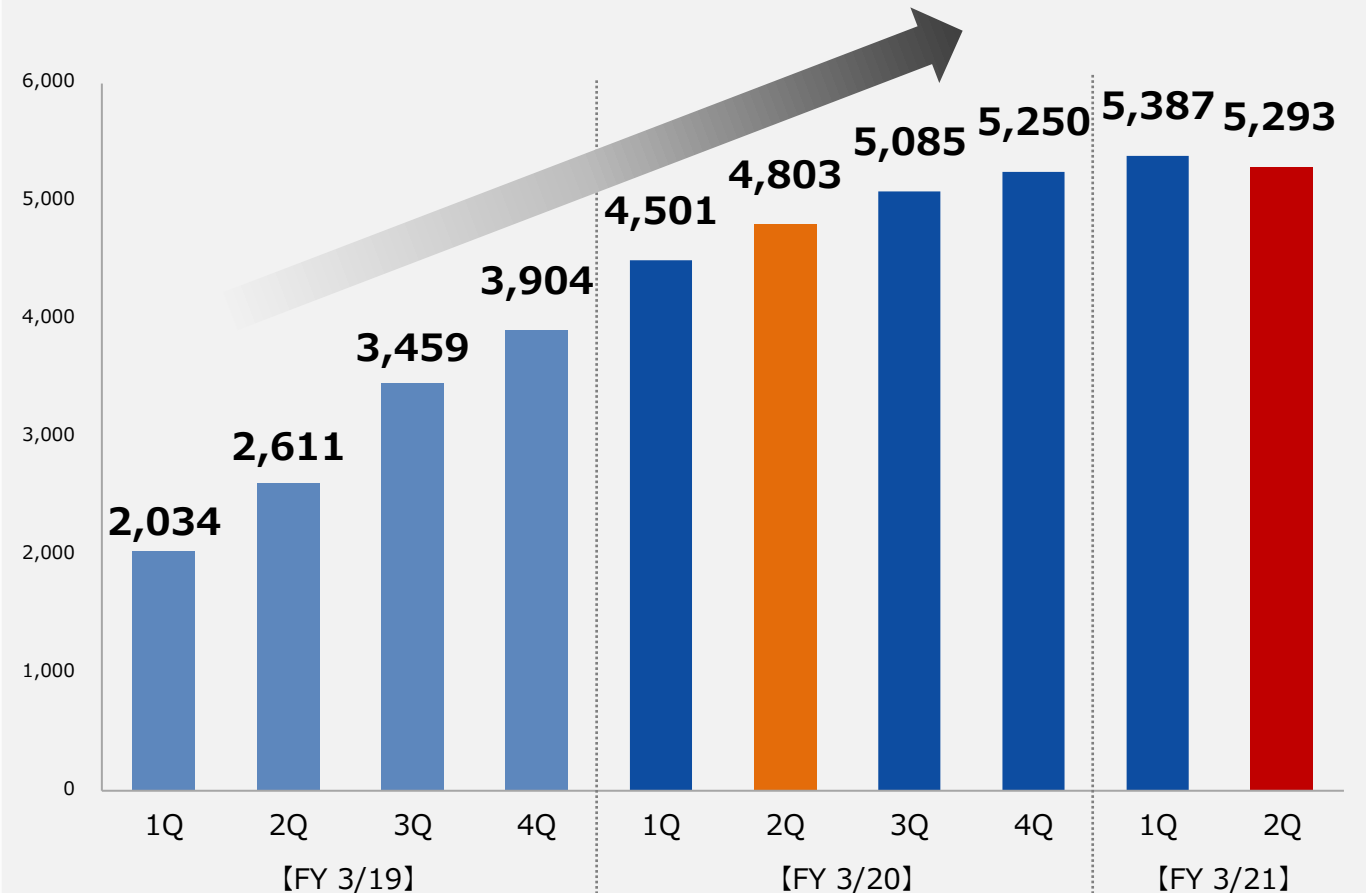
Point②

In the semiconductor-related industry, the number of skilled staff continues to increase, and client needs are also high.

Point③

Although the number of skilled staff decreased, the ratio of skilled staff to NISSO's total enrolled staff increased to 42.3%.
(FY 3/2021 1Q: 40.7%)

Number of Skilled Staff



Account Companies (NISSO, Non-consolidated)



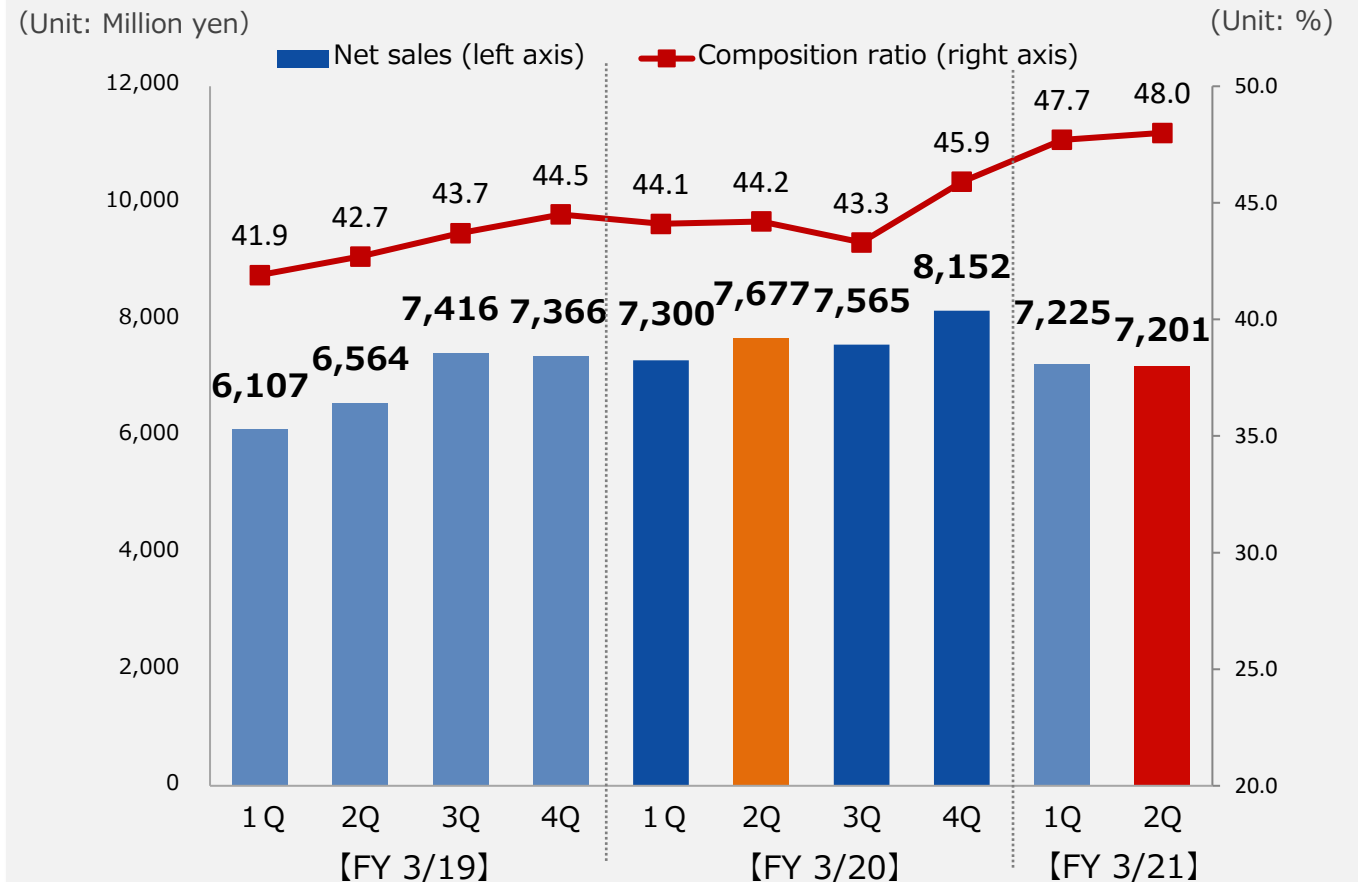
Point①

The net sales share ratio of Account Company Groups in FY 3/2021 2Q increased to 48.0%. (FY 3/2021 1Q: 47.7%)

Point② (Year-on-Year)

- Although net sales of NISSO decreased by 11.2% YoY, Account Company Group net sales decreased by only 6.2% YoY.
- In 2Q alone, net sales increased YoY in the automobiles and electronics Account Company Groups.
- In the electronic components Account Company Group, net sales decreased YoY due to a delay in recovery.

Account Company Groups Net Sales



Turnover Rates (NISSO, Non-consolidated)

(Unit: %)

FY 3/2021 2Q Results

Overall turnover rate

4.7%

(±0.0 vs. FY 3/2020)

Skilled staff turnover rate

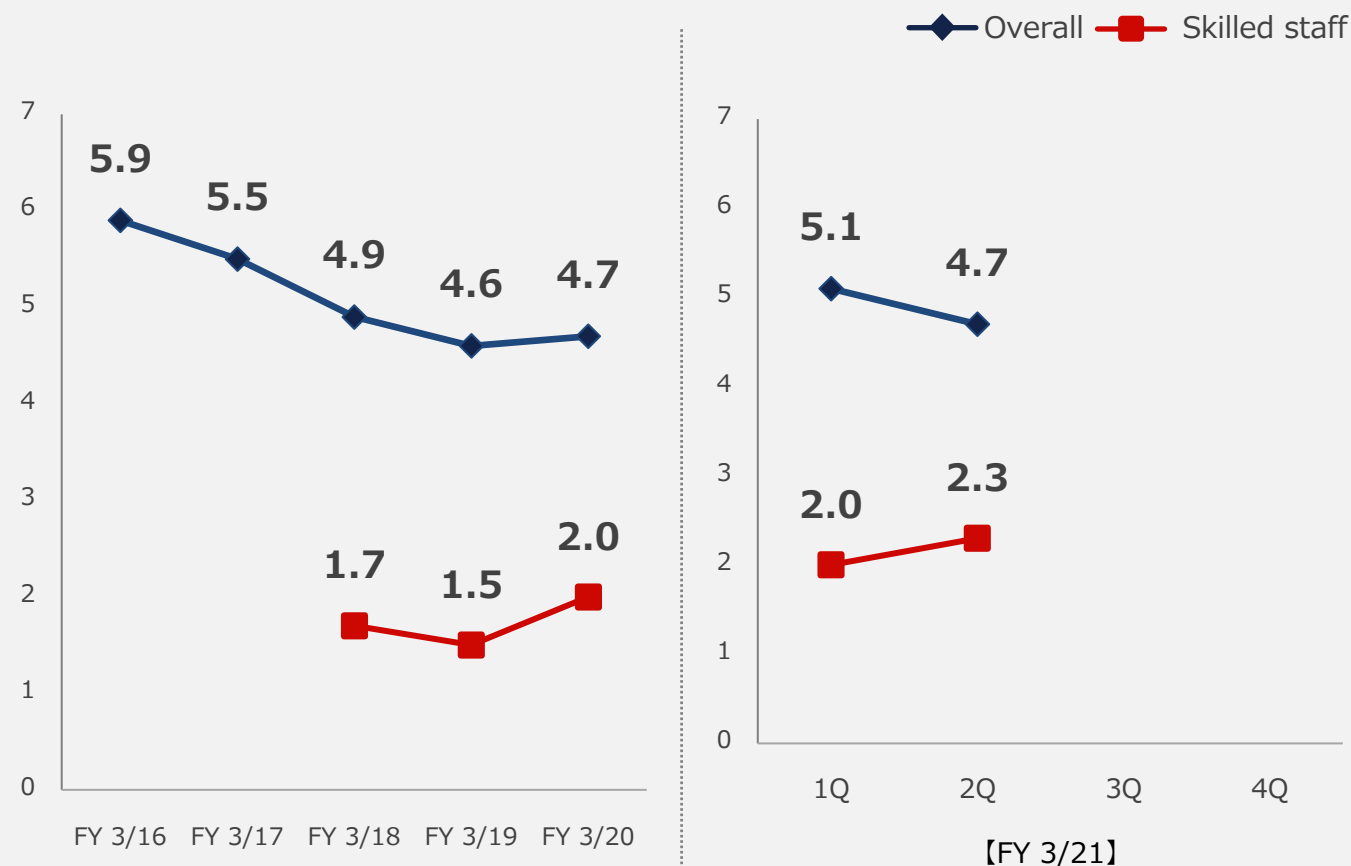
2.3%

(+0.3 pts vs. FY 3/2020)

Points

- The turnover rate for skilled staff increased by 0.3 points due to the spread of COVID-19 infections.
- The overall turnover rate improved by 0.4 points to 4.7%, recovering to the same level as the previous FY.

Trend of Turnover rates



Educational Achievements (NISSO, Non-consolidated)



Point①

The number of new employees/staff decreased and the number of participants was limited as part of measures to prevent the spread of COVID-19 infections, and the number of actual participants decreased.

Point②

Orders from semiconductor manufacturers continue to be strong, and client needs for equipment maintenance are high.

Point③

On-line contents and video educational materials that can be taken in remote locations have been enriched.

- FY 3/2021 1Q Course-specific educational achievements
(total # of participants)

(Unit: # of participants)

Training course name	2Q (Jul - Sep)	Contents	FY 3/20 2Q
Skilled staff education	202	Standard skilled staff education	483
Basic maintenance education	84	Basic equipment maintenance education	65
Accredited vocational training education	16	Accredited vocational training school (Miyagi · Nagano Prefectures)	57
Manufacturing education	559	MONOZUKURI (manufacturing) education, pre-assignment training for manufacturing staff, mobile education	717
Safety education	507	Danger · risk simulation education	1,182
Employee education	107	New graduate/mid-career entry/ mid-level employee training, newly appointed chief education, on-site supervisor education	115
Other education	—	Entrusted education from external sources	—
Total	1,475		2,619

Other Businesses Business Revenue

Points

- Net sales increased YoY as the number of residents in Building 6 increased.
- Buildings 1~5 continue to maintain a high occupancy rate.
- Operating loss amounted to 39 million yen due to an increase in costs associated with the stabilization of services provided.

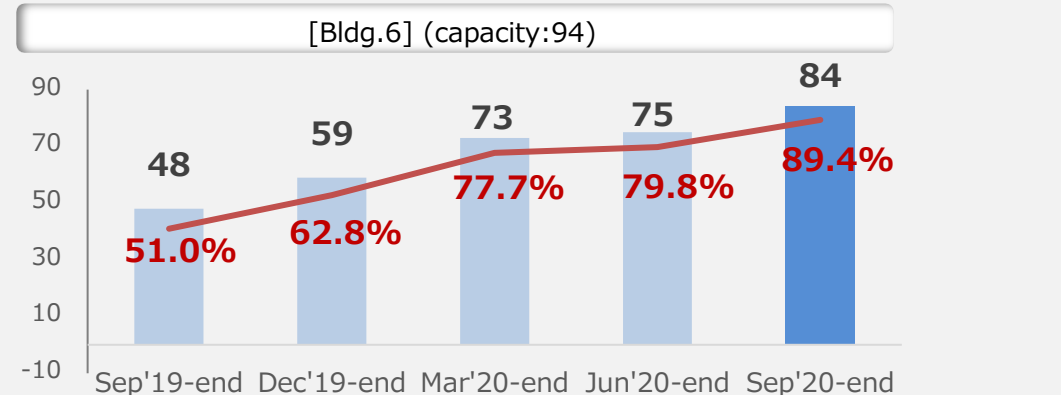
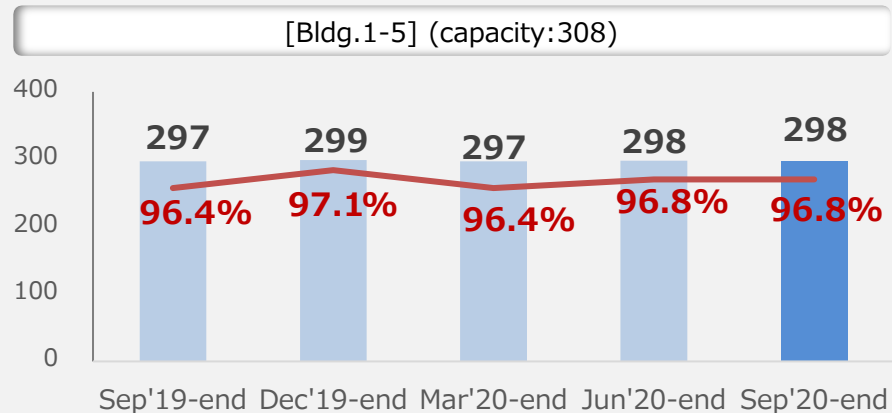
● Results of Other Businesses

(Unit: Million yen)

	FY 3/20 2Q		FY 3/21 2Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	1,369	100.0%	1,461	100.0%	91	6.7%
Expenses	1,367	99.8%	1,500	102.7%	133	9.7%
Operating profit (loss)	2	0.2%	(39)	(2.7%)	(41)	-

Number of facility residents

(Unit: # of residents)





3 Future Prospects (FY 3/2021)

FY 3/2021 Revision of Full-year Consolidated Forecasts

Based on recent performance trends, NISSO has revised the Full-year Consolidated Forecast for FY 3/2021 (April 1, 2020~March 31, 2021), which was announced on August 7, 2020.

■ FY 3/2021 Full-year Consolidated Forecast (April 1, 2020~March 31, 2021)

(Unit: Million yen)

	Previous Forecast		Present Revised Forecast		Change from Previous Forecast		FY 3/20 Results	
	Forecast	% of Total	Forecast	% of Total	Increase (Decrease)	% Change	Results	% of Total
Net sales	64,000	100.0%	67,000	100.0%	3,000	4.7%	74,966	100.0%
Operating profit	1,500	2.3%	1,800	2.7%	300	20.0%	3,061	4.1%
Ordinary profit	1,750	2.7%	2,100	3.1%	350	20.0%	3,149	4.2%
Profit attributable to owners of parent	1,050	1.6%	1,300	1.9%	250	23.8%	2,033	2.7%



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Topics

Capital and Business Alliance with Cross Compass Ltd.



NISSO resolved to enter into a capital and business alliance agreement with Cross Compass Ltd. at the Board of Directors' Meeting held on September 15, 2020, and concluded the capital alliance and business alliance agreement on September 17, 2020.

Content of Business Alliance

The two companies will implement the business alliance mainly related to the following matters:

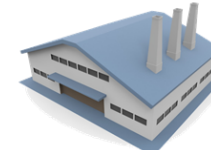
- Sales expansion/promotion of services utilizing both client bases and sales networks
- Joint development of platforms for the manufacturing industry
- Human resources exchanges for the purpose of training/development
- Other contents discussed by both parties that will contribute to the enhancement of corporate value

【Content of Capital Alliance】

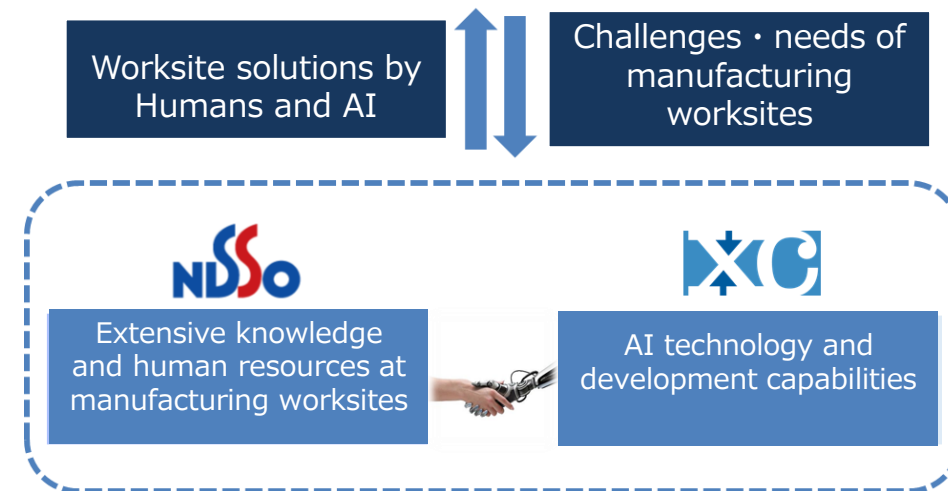
Cross Compass issued common shares to NISSO through a third-party allotment of shares, which NISSO underwrote.

(1) No. of shares held before change	0 shares (No. of voting rights: 0) (Percentage of voting rights held: 0.0%)
(2) No. of shares acquired	100,000 shares (No. of voting rights: 100,000) (Percentage of voting rights held: 19.9%)
(3) Acquisition value	300 million yen
(4) No. of shares held after change	100,000 shares

※For more information, please refer to the "(Progress of Disclosure Items) Notice of Conclusion Capital Alliance Agreement and Business Alliance Agreement with Cross Compass Ltd." announced on September 17, 2020.



Factories



Nisso Group CSR Report 2020

Release of CSR Report 2020

- In order to enhance the corporate value of the Nisso Group, we respect laws and social rules, and carry out CSR activities toward the realization of a sustainable society. The CSR Report was released on NISSO's website in October 2020 (Japanese version only, English version to follow).
- Based on the perspective of ESG (Environment, Social {Society}, and Governance), the Nisso Group believes that it is of the utmost importance to respond to the demands of society by implementing the "Sustainable Development Goals" that SDGs strive for.
- Based on stakeholder engagement, the Nisso Group aims to solve social issues by setting concrete plans and targets.
- Going forward, we will continue to engage in corporate activities with the aim of contributing to the resolution of social issues through our business, and achieving sustainable growth together with society. In addition, we will strive to enhance corporate value by promoting human development in line with the new era, and will continue to take on challenges to contribute to the growth of the working people and the future of Japan.





5 Shareholder Return Policy

Shareholder Return Policy

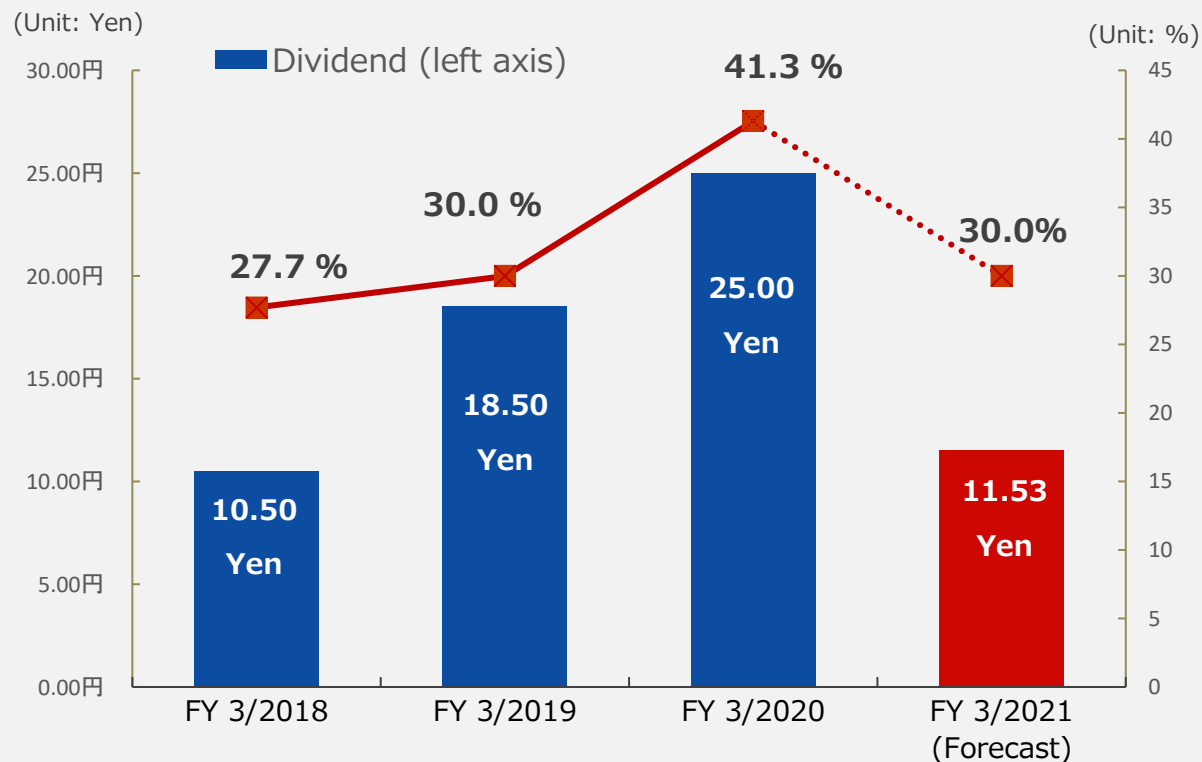
Basic Policy

NISSO considers the redistribution of profits to shareholders and the enhancement of corporate value as key management issues, taking into consideration the balance between securing funds for growth investments and strengthening the corporate structure that can respond to changes in the business environment. In addition, by setting the consolidated dividend payout ratio of 30% as a general standard, NISSO's basic policy is to continue to steadily redistribute profits to all of its shareholders.

FY 3/2021 Dividend Forecast

Regarding the year-end dividends for FY 3/2021, due to an upward revision of the Full-year Consolidated Forecast, the expected dividend per share (9.32 yen) of the "Summary of Consolidated Financial Results for the First Quarter of FY 3/2021 [Japanese GAAP] Dividend Forecast" announced on August 7, 2020, has been revised to 11.53 yen.

Dividend and Payout Ratio



※NISSO's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019, and the FY 3/2019 dividend payout shown above is the dividend payout amount after the stock split.



6

Supplementary Materials

Consolidated Balance Sheet

(Unit: Million yen, %)

	Mar. 2020-end		Sep. 2020-end		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	
Current assets	15,622	69.5	13,583	65.4	(2,038)
Cash and deposits	6,365	28.3	5,570	26.8	(794)
Notes and accounts receivable - trade	8,434	37.5	7,241	34.9	(1,192)
Non-current assets	6,871	30.5	7,186	34.6	314
Property, plant and equipment	4,754	21.1	4,730	22.8	(24)
Intangible assets	377	1.7	389	1.9	12
Investments and other assets	1,739	7.7	2,066	9.9	326
Total assets	22,494	100	20,770	100	(1,723)
Current liabilities	9,279	41.3	7,802	37.6	(1,476)
Accrued expenses	4,648	20.7	4,318	20.8	(329)
Income taxes payable	812	3.6	485	2.3	(327)
Provision for bonuses	879	3.9	992	4.8	113
Non-current liabilities	1,319	5.9	1,302	6.3	(16)
Long-term loans payable	623	2.8	555	2.7	(68)
Total liabilities	10,598	47.1	9,105	43.8	(1,492)
Shareholders' equity	11,974	53.2	11,742	56.5	(232)
Total net assets	11,895	52.9	11,664	56.2	(230)
Total liabilities and net assets	22,494	100	20,770	100	(1,723)

Point

① Reduction due to reduced operations

Due to the reduction of operations of manufacturing-related human resources services, "notes and accounts receivable (trade)", etc., of current assets and "accrued expenses", etc., of current liabilities decreased.

② Investments

Due to equity investment associated with the business alliance, "investments and other assets" of non-current assets increased.

③ Tax payments

Due to income taxes and other tax payments, "income taxes payable", etc., of current liabilities decreased.

④ Dividends

Shareholders' equity decreased due to dividend payments.

⑤ Overall

As a result of the above, total assets decreased by 7.7%, total liabilities decreased by 14.1%, total net assets decreased by 1.9%, and equity ratio increased by 3.3% to 56.2% compared to the end of the previous fiscal year.

Quarterly Consolidated Statements of Cash Flows



(Unit: Million yen, %)

	FY 3/20 2Q YTD	FY 3/21 2Q YTD	Increase (Decrease)
	Amount	Amount	
Cash flows from operating activities	(361)	547	909
Cash flows from investing activities	24	(398)	(422)
Cash flows from financing activities	(786)	(944)	(158)
Net increase (decrease) in cash and cash equivalents	(1,122)	(794)	327
Cash and cash equivalents at beginning of period	5,633	6,365	731
Cash and cash equivalents at end of period	4,510	5,570	1,059

Point

① Cash flows from operating activities

In the current quarter, tax payments such as income taxes, consumption taxes, etc., and expenditures, etc., due to a decrease in accrued expenses were absorbed by revenues, etc., due to decreases in profit from income taxes and accounts receivable (trade), which amounted to 547 million yen in revenues.

② Cash flows from investing activities

In the current quarter, expenditures amounted to 398 million yen due to stock investments associated with the business alliance, and capital investment for core systems.

③ Cash flows from financing activities

Due to scheduled payments of loans payable and payment of dividends, etc., expenditures amounted to 944 million yen.



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

For future IR-related inquiries

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