



Consolidated Financial Results for the First Quarter of FY 3/2022 [Japanese GAAP]

August 10, 2021

Company Name NISSO CORPORATION

Stock Exchange Listing:
Tokyo

Securities Code 6569 URL <https://www.nisso.co.jp/>

Representative (Title) Representative Director,
President & CEO (Name) Ryuichi Shimizu

Contact Person (Title) Sr. Executive Officer (Name) Norihiro Sekido TEL +81-45-514-4323

Scheduled date of filing August 10, 2021 Scheduled date of
Quarterly Report payment of dividend —

Preparation of supplementary materials (Scheduled to be posted on the Company's website on August 10, 2021 (Tues.))
for quarterly financial results: Yes

Holding of quarterly financial results (Scheduled to be held for institutional investors and analysts on August 16,
meeting: Yes 2021 (Mon.))

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY 3/2022 (April 1, 2021 – June 30, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three months ended								
June 30, 2021	18,045	9.0	470	127.9	524	119.4	345	239.7
June 30, 2020	16,557	(7.9)	206	(56.8)	238	(51.3)	101	(71.6)

(Note) Comprehensive income For the first 3 months ended June 30, 2021: 342 Million yen (235.1%)
For the first 3 months ended June 30, 2020: 102 Million yen (-67.6%)

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
June 30, 2021	10.17	10.16
June 30, 2020	3.01	2.99

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2021	21,361	12,189	57.1
March 31, 2021	21,631	12,763	59.0

(Reference) Equity capital As of June 30, 2021: 12,189 Million yen
As of March 31, 2021: 12,763 Million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ending March 31, 2021	Yen	Yen	Yen	Yen	Yen
	—	0.00	—	20.10	20.10
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		0.00	—	18.00	18.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for FY 3/2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	76,000	11.4	3,000	15.4	3,000	1.7	2,000	25.6	58.90

(Note) Revisions to the most recently announced consolidated earnings forecast: None

※ **Notes**

((1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: (Co. name) , Excluded: (Co. name)

(2) Application of special accounting methods for the presentation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

- | | |
|----------------------------------------------------------------------------------|------|
| ① Changes in accounting policies due to revisions in accounting standards, etc.: | Yes |
| ② Changes in accounting policies other than ① above: | None |
| ③ Changes in accounting estimates: | None |
| ④ Restatements: | None |

(Note) For details, please refer to page 7 "2. Quarterly Consolidated Financial Statements and Notes (3) Notes regarding Quarterly Consolidated Financial Statements (Changes in Accounting Policies) of the attachments.

(4) Number of outstanding shares (Common stock)

① Number of shares outstanding at the end of the period (including treasury shares)	As of Jun. 30, 2021	34,320,400 Shares	As of Mar. 31, 2021	34,320,400 Shares
② Number of treasury shares at the end of the period	As of Jun. 30, 2021	366,381 Shares	As of Mar. 31, 2021	366,381 Shares
③ Average number of shares outstanding during the period (Quarterly total)	First three months ended Jun. 30, 2021	33,954,019 Shares	First three months ended Jun. 30, 2020	33,810,347 Shares

※ The quarterly financial statement is not subject to the quarterly review procedures of certified public accountants or auditing corporations

※ Cautionary statement on the appropriate use of earning forecasts, and other special items

(Notes on forward-looking statements, etc.)

• Earnings forecasts regarding future performance and other forward-looking statements in this material are based on certain assumptions judged to be valid and on information that is currently available to the Company, and do not represent promises by the Company that these figures will be achieved. In addition, actual results may differ significantly due to a variety of factors. For prerequisite conditions, etc. regarding the earnings forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Future Forecast Information such as Consolidated Forecasts, etc." on P. 4 of the attachments.

(Supplementary materials for quarterly financial results and method of obtaining content for quarterly financial results meeting)

Materials related to the explanation of the Company's financial results are scheduled to be posted on its website on August 10, 2021 (Tuesday).

In addition, a Financial Results Briefing (for institutional investors and analysts) is scheduled to be held on August 16, 2021 (Monday). **(In Japanese only)**

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Although Japan's economy during the current consolidated cumulative first quarter (hereinafter, the "period under review") remained in harsh conditions due to the spread of the new coronavirus infections (hereinafter, "COVID-19 infections"), while taking measures to prevent the spread of infections, there has been a recovery in economic activity, partly due to the effects of various policies and improvements in overseas economies. On the other hand, it is necessary to pay close attention to the effects of the spread of COVID-19 infections on domestic and overseas economies, and fluctuations in financial and capital markets.

As for the business environment surrounding the Nisso Group (hereinafter, the "Group"), regarding domestic manufacturers, who are important clients, although the effects of semiconductor shortages remained in part, automobiles-related production has remained firm, and electronic devices-related production has also increased due to a vigorous increase in semiconductor demand. Also, regarding employment conditions, although the number of employed persons has been more or less unchanged, the hours of operation in the manufacturing industry are recovering, and the needs for utilizing external human resources are also increasing for some manufacturers who are NISSO CORPORATION's (hereinafter, the "Company") clients.

In such an environment, based on its mission of "*Creating opportunities and hopes for people to work*", the Group aims to create workplaces where workers can gain a sense of self-fulfillment and flourish, with human resources solution services that support the growth of companies and people, and to provide services that can respond to social changes and changes in industrial structures. In order "*To transform into a corporate group with high-growth potential*", the Group is promoting the following initiatives.

Regarding manufacturing-related human resources services, the Group's core business, in existing areas such as manufacturing dispatching and contracting, the Group is increasing investments in promotions, recruiting a large number of human resources, improving added value by training workers, and strengthening its service supply system to clients, including Account Companies, in order to increase profitability. Also, in the engineering business, the Group is expanding its business by providing a high-quality curriculum to a large number of human resources while introducing new digital technologies, in addition to existing educational expertise. Furthermore, in new businesses, although the Group has provided services to jobseekers to improve their skills by providing employment destinations and education, it will also provide services for other life stages such as job hunting, job changes, and reemployment at retirement age. To that end, the Group will actively invest in the introduction of digital technologies such as AI, and the building of new partnerships in order to create businesses that have synergies with the Group.

In Other Businesses, the Group will strive to maintain a high occupancy rate by improving the quality of services provided at "Sweetpea", its nursing care facilities located in 6 locations in Yokohama. In addition, the Group is making efforts to build a stable profit base by continuing efforts to improve its management structure, such as promoting operational efficiency.

As a result, the results of operations for the period under review are as follows: net sales of 18,045 million yen (up 9.0% year-on-year), operating profit of 470 million yen (up 127.9% year-on-year), ordinary profit of 524 million yen (up 119.4% year-on-year), and profit attributable to owners of parent amounted to 345 million yen (up 239.7% year-on-year).

Based on its policy of putting the safety of its clients and employees as a top priority, the Group has established the "COVID-19 Countermeasures Headquarters", and is promoting business activities that strengthen measures to prevent the spread of COVID-19 infections. Going forward, the Group's business performance is expected to remain firm as the economic activities of clients related to the Company recover, and the needs for external human resources resume. On the other hand, in the event of an occurrence where individuals are affected by the virus at its clients, workplaces or nursing care facilities, the Group may be affected.

The results of operations by segment are as follows:

(Human Resources Services Business)

Within the General Human Resources Services Business, the Group carries out manufacturing dispatching and contracting for its manufacturing-related human resources services, general office work dispatching and BPO (Business Process Outsourcing: the outsourcing of operations and processes of specific business-related tasks to a [third-party] specialized company) for its administrative human resources services.

In manufacturing-related human resources services, the core business which accounts for 92.5% of

consolidated net sales in the period under review, the production of manufacturers, who are our clients, is steadily increasing, and we have endeavored to expand orders by actively developing sales activities centered on Account Companies, who are our important clients. Also, in addition to promoting the expansion of recruitment interview opportunities through the use of web (on-line) interviews, the number of enrolled staff was at 13,856 (up 710 from the end of the previous fiscal year) as a result of the continued efforts to improve the retention rate of manufacturing staff and the increasing stability orientation of manufacturing staff due to social unrest caused by COVID-19, resulting in a low turnover rate of 3.5%. Furthermore, the monthly average net sales per capita of 409 thousand yen (up 51 thousand yen year-on-year) was partly due to the impact of not only in house educational facilities, but also the implementation of education that enhances added value, including the use of the Web, as well as the recovery in operations.

In addition, in existing areas such as manufacturing dispatching and contracting, the Group has been strengthening its service supply system and improving the share ratio of Account Companies, who are important clients, and the share ratio has remained at a high level of 47.2%. In the engineering area, client needs are strong, the number of incoming orders is on an increasing trend, and the Group will continue to expand its recruitment channels for engineers. Furthermore, in order to create new businesses, since the Group has been investigating business opportunities in order to build the second pillar of its business, the period under review was set as the preparation period.

In order to reduce the ratio of selling, general and administrative expenses, although the cost of actively recruiting manufacturing staff and investments in various measures increased compared to the corresponding period of the previous fiscal year, the Group aimed to improve the efficiency of its recruitment costs, etc., and as a result of these efforts, revenue and profits increased.

As a result, net sales amounted to 17,305 million yen (up 9.3% year-on-year), and operating profit was 452 million yen (up 100.8% year-on-year).

(Other Businesses)

The Group operates nursing care businesses for its Other Businesses.

In the facilities nursing care business, which is the core business of this business segment, during the period under review, the occupancy rate of the nursing care facility "Sweetpea Higashi Totsuka (Building 6) has remained at a high level of over 90%, as a result of promoting web-based facility preview events on the premise of preventing the spread of COVID-19 infections. In addition, as a result of efforts to improve profitability by reducing the cost of sales through initiatives to improve the efficiency of labor costs and operating expenses, revenue and profits increased.

As a result, net sales amounted to 742 million yen (up 3.1% year-on-year), and operating profit was 18 million yen (which was an operating loss of 18 million yen in the corresponding period of the previous year).

(2) Description of Financial Position

(Assets)

Current assets at the end of the period under review amounted to 14,680 million yen, which was a decrease of 133 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 249 million yen in cash and deposits.

Non-current assets at the end of the period under review amounted to 6,681 million yen, which was a decrease of 136 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 116 million yen in "other" under the investments and other assets category.

As a result, total assets amounted to 21,361 million yen, which was a decrease of 269 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the period under review amounted to 8,449 million yen, which was an increase of 271 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 213 million yen in accrued expenses.

Non-current liabilities at the end of the period under review amounted to 722 million yen, which was an increase of 32 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 43 million yen in net defined benefit liability.

As a result, total liabilities amounted to 9,171 million yen, which was an increase of 303 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of the period under review amounted to 12,189 million yen, which was a decrease of 573 million yen from the end of the previous consolidated fiscal year. This was mainly due to the 345 million yen in profit attributable to owners of parent, and 682 million yen in dividends of surplus.

As a result, the equity ratio was at 57.1% (which was at 59.0% at the end of the previous consolidated fiscal year).

(3) Description of Future Forecast Information such as Consolidated Forecasts, etc.

Regarding the consolidated earnings forecast, there are no changes to the Consolidated Forecast for the full year announced in the "Consolidated Financial Results for FY 3/2021" on May 12, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Million yen)

	FY 3/21 (As of Mar. 31, 2021)	1Q of FY 3/22 (Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	5,873	5,624
Notes and accounts receivable - trade	8,094	8,162
Other	850	899
Allowance for doubtful accounts	(5)	(5)
Total current assets	14,813	14,680
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,799	1,812
Land	2,704	2,696
Other, net	150	150
Total property, plant and equipment	4,654	4,659
Intangible assets	305	280
Investments and other assets		
Other	1,876	1,759
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	1,857	1,740
Total non-current assets	6,817	6,681
Total assets	21,631	21,361
Liabilities		
Current liabilities		
Accrued expenses	4,541	4,755
Income taxes payable	494	96
Provision for bonuses	950	530
Provision for directors' bonuses	-	4
Other	2,191	3,062
Total current liabilities	8,178	8,449
Non-current liabilities		
Net defined benefit liability	345	388
Other	344	333
Total non-current liabilities	689	722
Total liabilities	8,868	9,171
Net assets		
Shareholders' equity		
Capital stock	2,015	2,015
Capital surplus	2,368	2,368
Retained earnings	8,674	8,103
Treasury shares	(313)	(313)
Total shareholders' equity	12,744	12,173
Accumulated other comprehensive income		
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans	17	14
Total accumulated other comprehensive income	18	16
Total net assets	12,763	12,189
Total liabilities and net assets	21,631	21,361

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First Quarter of FY 3/22)

(Unit: Million yen)

	1Q of FY 3/21 (Apr. 1, 2020 - Jun. 30, 2020)	1Q of FY 3/22 (Apr. 1, 2021 - Jun. 30, 2021)
Net sales	16,557	18,045
Cost of sales	14,197	15,007
Gross profit	2,360	3,038
Selling, general and administrative expenses	2,154	2,568
Operating profit	206	470
Non-operating income		
Interest income	0	0
Dividend income	0	0
Share of profit of entities accounted for using equity method	0	9
Subsidy income	33	36
House rent income	10	10
Other	5	13
Total non-operating income	50	70
Non-operating expenses		
Interest expenses	3	-
Rent expenses	6	4
Other	8	12
Total non-operating expenses	18	16
Ordinary profit	238	524
Extraordinary losses		
Loss on sales of non-current assets	-	7
Directors' retirement benefits	50	-
Total extraordinary losses	50	7
Profit before income taxes	188	516
Income taxes - current	30	52
Income taxes - deferred	55	119
Total income taxes	86	171
Profit	101	345
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	101	345

(Quarterly Consolidated Statement of Comprehensive Income)
(First Quarter of FY 3/22)

(Unit: Million yen)

	1Q of FY 3/21 (Apr. 1, 2020 - Jun. 30, 2020)	1Q of FY 3/22 (Apr. 1, 2021 - Jun. 30, 2021)
Profit	101	345
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	0	(2)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	0	(2)
Comprehensive income	102	342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	102	342
Comprehensive income attributable to non- controlling interests	-	-

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

"Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as "Revenue Recognition Accounting Standards") have been applied from the beginning of the period under review, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to clients.

The main changes resulting from the application of Revenue Recognition Accounting Standards are as follows:

(Human Resources Services Business)

Previously, although consideration paid to clients, such as rent, was treated as cost of sales, it has been changed to a method of reducing it from the transaction price.

(Other Businesses)

In the past, the lump-sum payment received from a client in a nursing care facility's occupancy contract was recognized as revenue after the expiration of the amortization period under the occupancy contract. However, the method has been changed to recognize revenue over the period of residence in which the service is expected to be provided.

The application of the Revenue Recognition Accounting Standards is in accordance with the transitional treatment set forth in the Revenue Recognition Accounting Standards No. 84. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the period under review is added to or subtracted from retained earnings at the beginning of the period under review, and the new accounting policy is applied from the beginning balance.

As a result, net sales for the period under review decreased by 59 million yen, cost of sales decreased by 63 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 4 million yen. In addition, the balance at the beginning of current period of retained earnings decreased by 233 million yen. Furthermore, "other" under the current liabilities category increased by 229 million yen at the end of the period under review.

In accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), the revenue generated from contracts with clients for the previous year's consolidated cumulative first quarter is not presented.

(Additional Information)

(Accounting Estimates Associated with the Spread of COVID-19 Infections)

There are no significant changes to the assumptions regarding the effects of the spread of COVID-19 infections described in the (Additional Information) of the Securities Report for the previous consolidated fiscal year.

(Significant Subsequent Events)

(Acquisition of Company through Acquisition of Shares)

At the Board of Directors' Meeting held on August 10, 2021, the Company resolved to acquire the shares of Vector Shinwa Co., Ltd. (hereinafter, the "Target Company") and make the Target Company a subsidiary. The share transfer agreement was concluded on August 10, 2021, and the shares of the Target Company will be acquired on August 31, 2021 to make the Target Company a consolidated subsidiary.

1. Purpose of Share Acquisition

In the business environment surrounding the Group, although some of the effects of semiconductor shortages remain, automobiles-related production remained firm, and electronic devices-related production has also increased due to a vigorous increase in semiconductor demand. Regarding employment conditions, although the number of employed persons has been more or less unchanged, the status of operations in the manufacturing industry are recovering, and the needs for utilizing external human resources are also increasing for some manufacturers who are the Company's clients.

In such an environment, based on its mission of "Creating opportunities and hopes for people to work", the Group aims to create workplaces where workers can gain a sense of self-fulfillment and flourish, with human resources solution services that support the growth of companies and people, and to provide services that can respond to social changes and changes in industrial structures.

As the first step in the growth strategy for expanding existing areas announced in the Medium-term Management Plan, the Company has decided to acquire all the shares of Vector Shinwa Co., Ltd., and make it a subsidiary.

Based in Aichi Prefecture, Hiroshima Prefecture, and Fukuoka Prefecture, Vector Shinwa Co., Ltd. focuses on human resources development with a slogan of "Minority Elite", and engages in a wide range of operations such as designing, developing and manufacturing jigs and various production equipment, dispatching human resources, and recruitment. The main pillar of Vector Shinwa's business is contracting operations in the manufacturing industry, such as for semiconductors and precision equipment.

With Vector Shinwa Co., Ltd. joining the Nisso Group, the Company believes that it will be able to grow together as a group by strengthening its business foundation and expanding its business in existing areas such as manufacturing dispatching and contracting, which are the core businesses of the Group.

Vector Shinwa will be able to utilize the resources of the Group, such as its client base, recruitment base, and education base, and by having the Company combine its resources with the technology and human resources development expertise that Vector Shinwa has cultivated so far, the Company will be able to strengthen its service supply system and expand its business, enabling it to respond to the needs of not only existing clients of both companies, but also to a wider range of clients. By doing so, the Company will contribute to the future of Japanese *MONOZUKURI* (manufacturing) in a wide variety of ways.

2. Overview of Target Company

(1) Company name	Vector Shinwa Co., Ltd.
(2) Location	3-1 Ikehata, Chiryu City, Aichi
(3) Representative	President & Representative Director Masao Kanemoto
(4) Business description	General Human Resources Services Business
(5) Capital	78.25 Million JPY
(6) Date of establishment	June 24, 2004

3. Timing of Share Acquisition

(1) Date of resolution of Board of Directors	August 10, 2021
(2) Date of conclusion of share transfer agreement	August 10, 2021
(3) Date of execution of share transfer	August 31, 2021 (Scheduled)

4. Number of Shares to be Acquired and Equity Ratio after Acquisition

(1) Number of shares to be acquired	440 shares
(2) Equity ratio after acquisition	100%

Furthermore, the Company will refrain from disclosing the name and acquisition price of the counterparty to the share acquisition, as it is obligated to maintain confidentiality under the share transfer agreement. However, the Company has determined and agreed on a reasonable price calculated by the Company based on objective criteria.