First Quarter of FY 2019
Financial Results Briefing Materials

August 21, 2018

NISSO CORPORATION

日総工産株式会社

TSE1　Code: 6569

Financial Results Summary for FY 3/2019 1Q

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FY 3/2019 1Q Consolidated Financial Results Highlights

◆NISSO: Increase in account companies, steady expansion of financial results due to increase in skilled staff

◆Nisso Nifty: Opening of new nursing care facility (Sweetpea Higashi Totsuka), occurrence of upfront investment

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase (Decrease)	% Change
Net sales	**13,907**	**100.0%**	**15,999**	**100.0%**	**2,091**	**15.0%**
Gross profit	**2,434**	**17.5%**	**2,660**	**16.6%**	**225**	**9.3%**
SG&A expenses	**2,053**	**14.8%**	**2,287**	**14.3%**	**234**	**11.4%**
Operating profit	**381**	**2.7%**	**372**	**2.3%**	**(8)**	**(2.3%)**
Ordinary profit	**383**	**2.8%**	**389**	**2.4%**	**6**	**1.6%**
Profit attributable to owners of parent	**255**	**1.8%**	**242**	**1.5%**	**(13)**	**(5.3%)**

(Note) Quarterly consolidated financial statements based on the Financial Instruments and Exchange Act were not prepared for FY 3/2018 1Q.

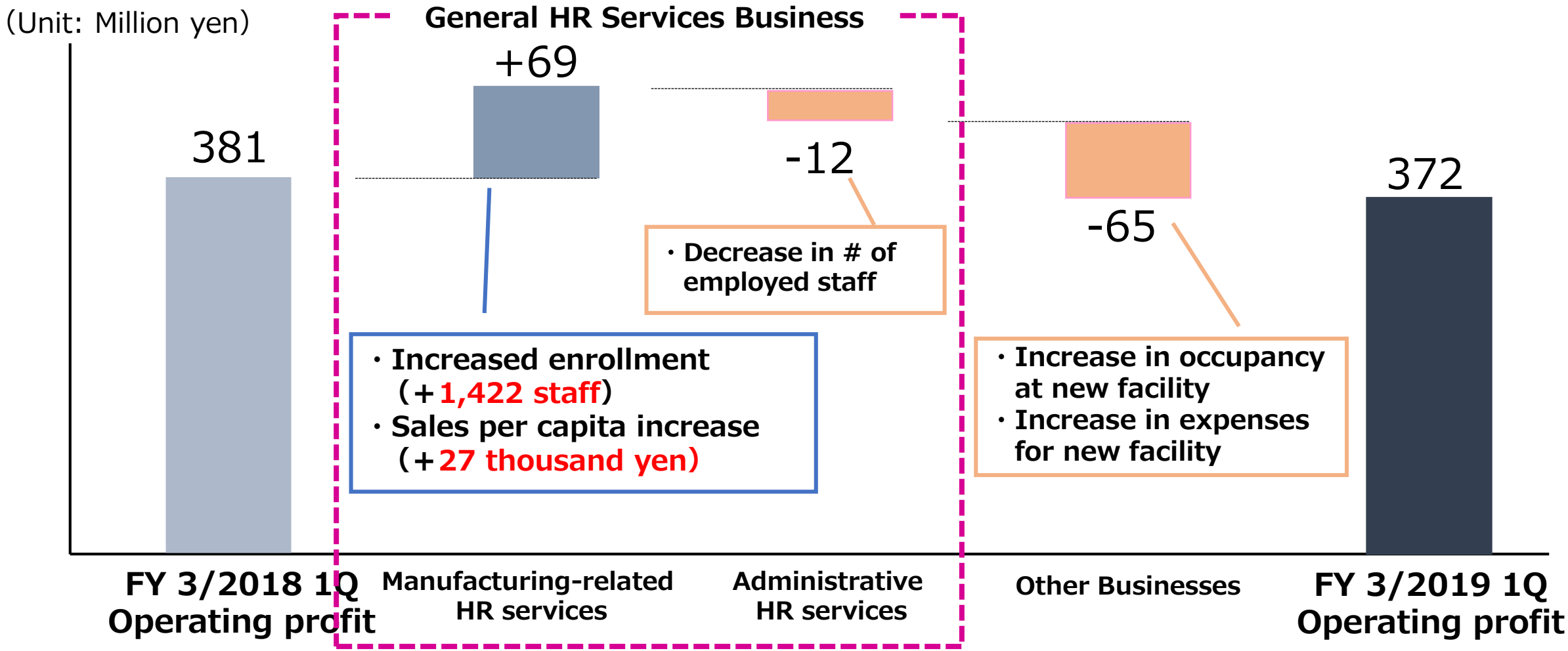
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FY 3/2019 1Q Factors contributing to changes in consolidated operating profit

◆General HR Services Business

Manufacturing-related HR Services: Increase in # of enrolled staff and profit growth due to sales per capita increase

◆Other Businesses: Fall in profit due to opening of new nursing facility and increases in administrative expenses, etc.



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FY 3/2019 1Q Non-consolidated Financial Results Highlights

- Increase in sales and profit due to skilled staff placement at account companies
- Actively investing in human resources development to improve provision of services and employee motivation (opening of educational facilities, increasing # of participants)

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	**12,325**	**100.0%**	**14,590**	**100.0%**	**2,265**	**18.4%**
Gross profit	**2,205**	**17.9%**	**2,515**	**17.2%**	**309**	**14.0%**
SG&A expenses	**1,868**	**15.2%**	**2,115**	**14.5%**	**247**	**13.3%**
Operating profit	**337**	**2.7%**	**399**	**2.7%**	**62**	**18.5%**
Ordinary profit	**331**	**2.7%**	**411**	**2.8%**	**79**	**23.9%**
Profit	**221**	**1.8%**	**259**	**1.8%**	**37**	**17.1%**

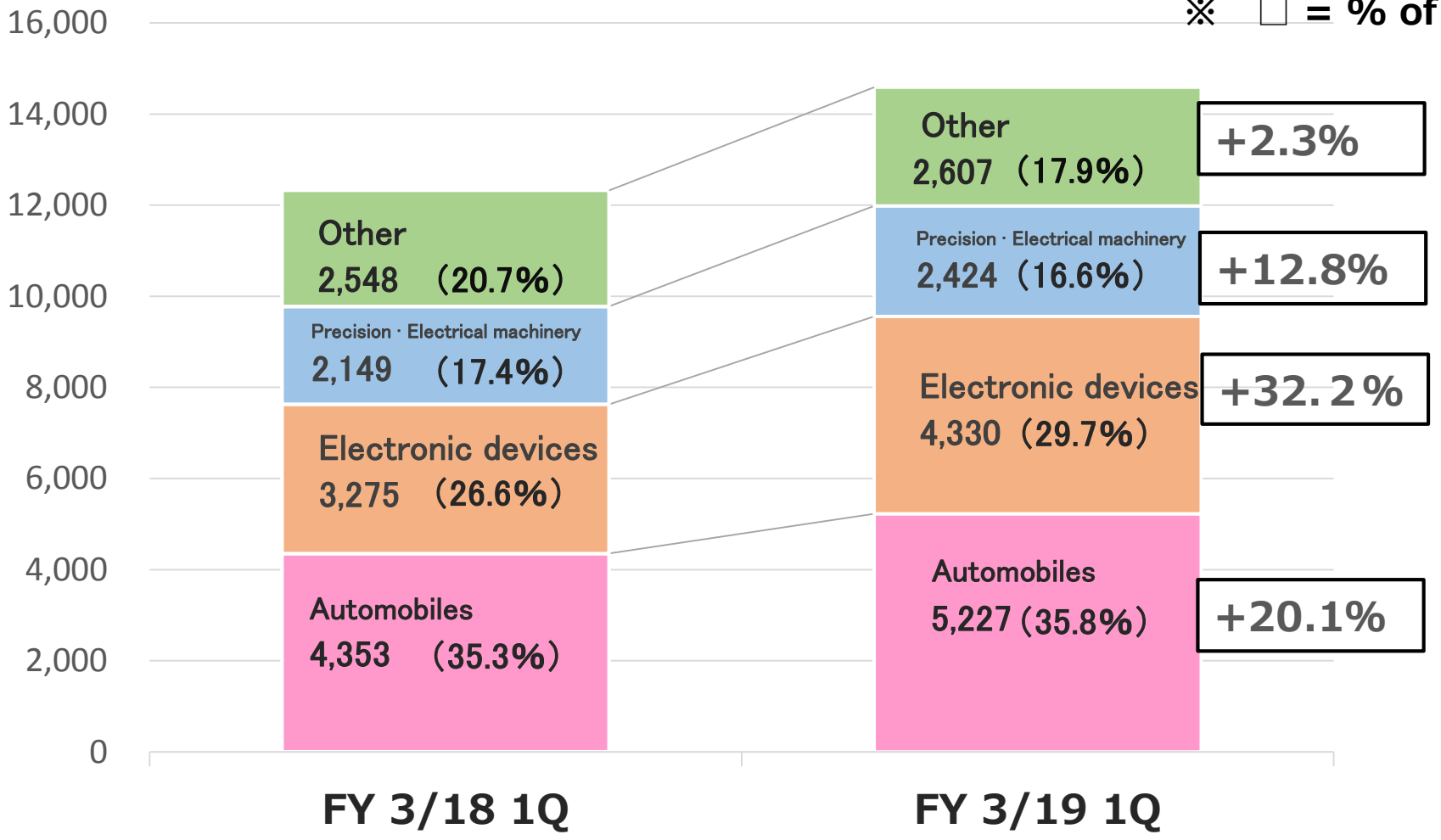
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1Q Sales by Industry (NISSO, Non-consolidated)

【Trend of Sales Composition Ratios (Unit: Million yen)】

※ ( ) = % of total sales
※ □ = % of Year-on-Year growth



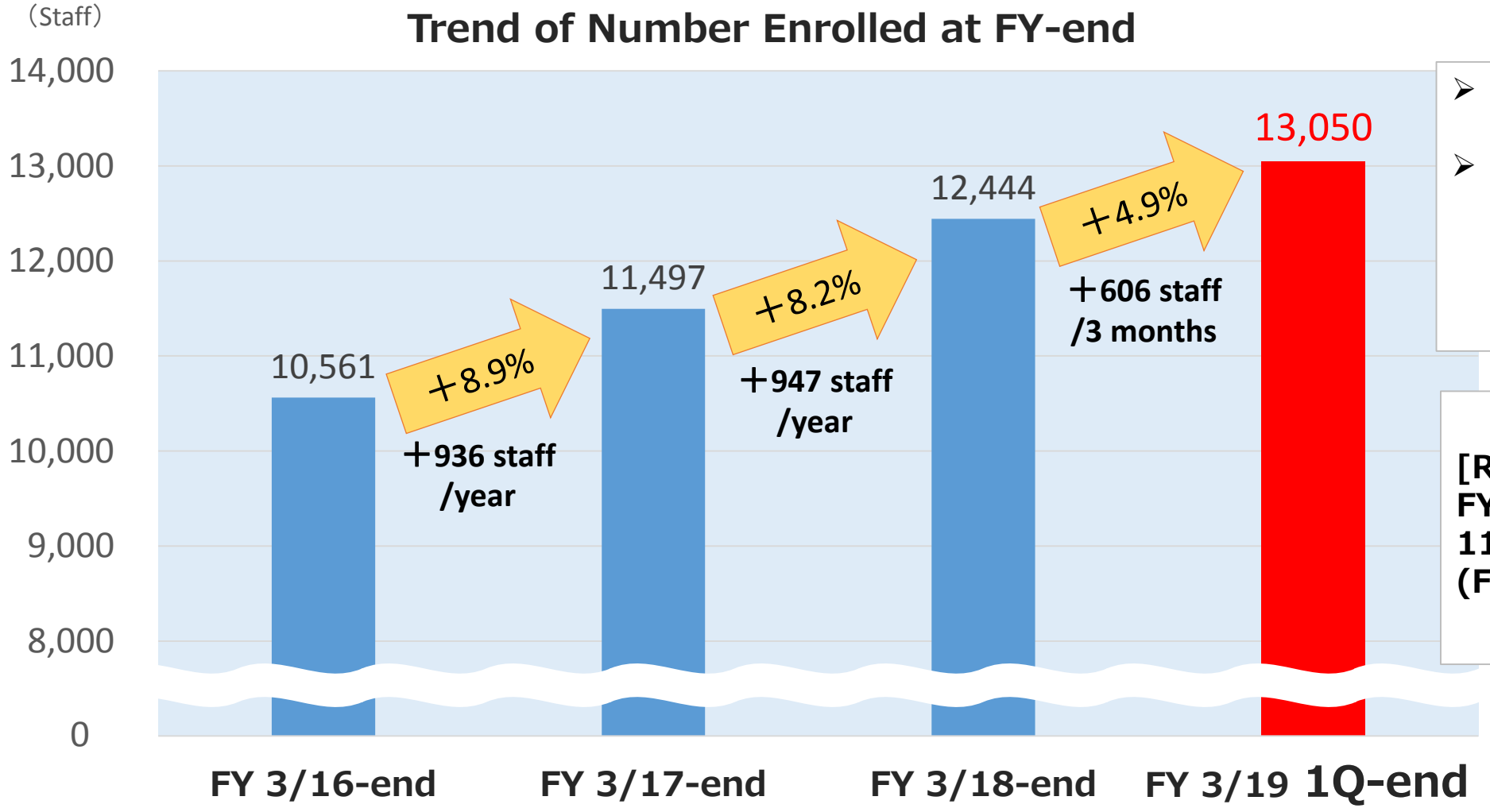
- **Electronic devices: Increase in demand for smartphones/automotive electronic components**
- **Automobiles: Favorable production conditions domestically /overseas for auto body /automobile parts manufacturers**

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Trend of Enrolled Staff (NISSO, Non-consolidated)

◆Enrollment is steadily on an upward trend (up 4.9% from end of previous FY)



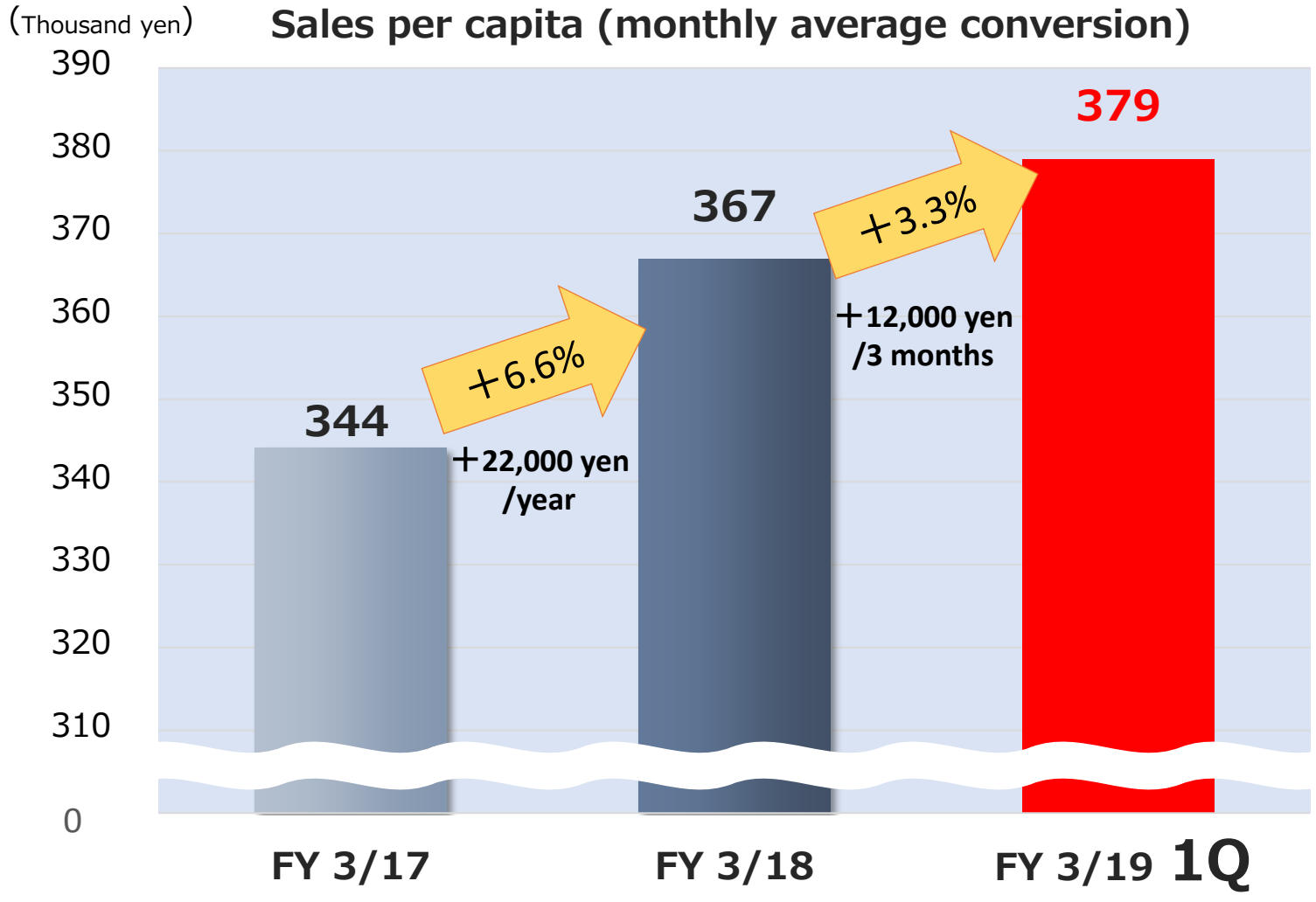
- Increase of 606 staff from previous FY-end
- Looking ahead, increase in number of enrolled staff is expected due to continuous, strong client demand

[Reference]
FY 3/18 1Q-end enrollment: 11,628 staff
(FY 3/17-end + 131 staff)

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Trend of Sales per Capita（NISSO, Non-consolidated）

◆Sales per capita rose from previous FY



- Increase of approx. 12,000 yen from previous FY (up 3.3%)
- Increased sales in account companies
- Rise in unit prices with increased # of clients adopting skilled staff system and increase of skilled staff
- Unit price increases are partly redistributed as employee compensation improvements
- Increases in sales per capita expected due to continued facilitation of skilled staff assignment to account companies

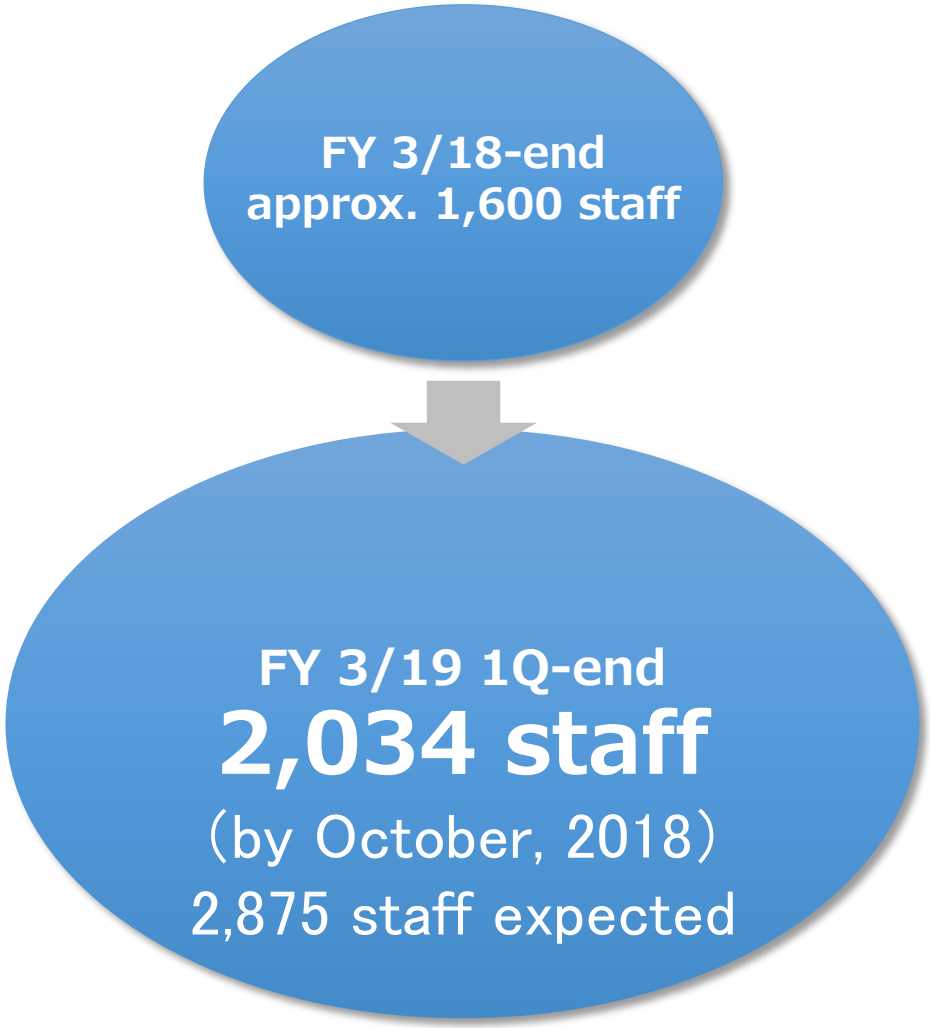
[Reference]
FY 3/18 1Q sales per capita:
351 Thousand yen
(Approx. 7,500 yen, or 2.2% increase from FY 3/17)

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Number of Skilled Staff（NISSO, Non-consolidated）

◆ Skilled staff are steadily increasing

[# of Skilled Staff]



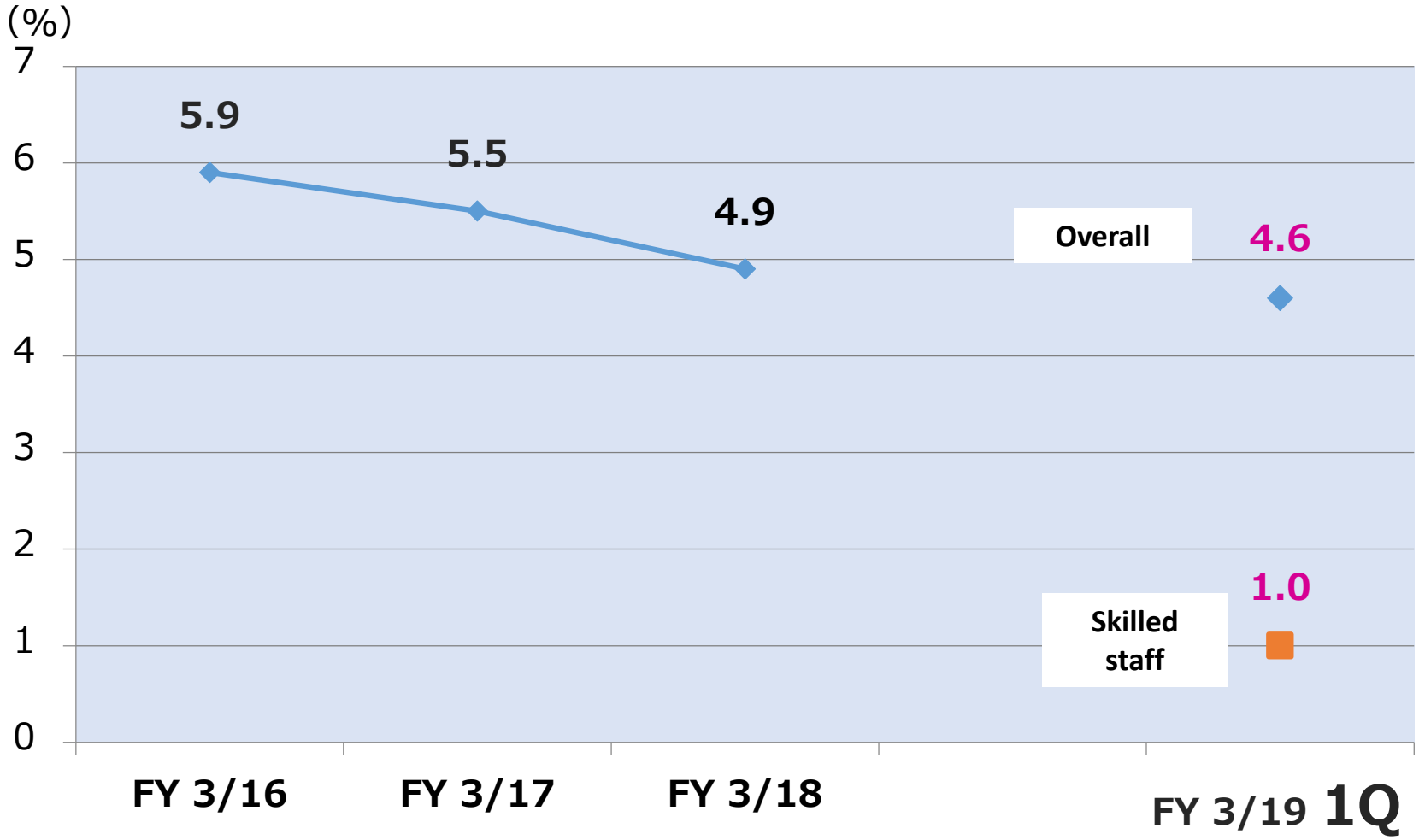
[Skilled staff compensation, etc.]

		Skilled staff	Non-skilled staff
Employment contracts		"Region-" or “industry type-" restricted indefinite-term employee	Fixed-term (with some indefinite-term)
Appointment criteria		Work, ability evaluation	–
COMPENSATION	Salary	Monthly	Hourly
	Bonus	Yes	No
	Salary increases	Yes	No
	Retirement plan	Yes	No
Job duties		・Production line ・Equipment maintenance ・Workplace management, etc. Requires unique skills	Mainly production line
Career path		Yes	—
Educational opportunities		Mainly skill enhancement education	Mainly basic education (work-specific, safety, etc.)

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Turnover Rates (NISSO, Non-consolidated)

◆Turnover rate of skilled staff is stable at 1% level
◆Overall turnover rate has improved



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Account Companies (NISSO, Non-consolidated)

- ◆Existing 4 Groups (auto/electronic components/precision equipment/electrical machinery): sales with all groups increased year-on-year
  In particular, automobiles and electronic components groups increased significantly
- ◆In addition to expanding transactions with existing companies, expansion of market size of account companies by increasing number of new companies
- ◆Increase in sales due to rise in sales per capita in association with increase of skilled staff in account companies
- ◆Production conditions of account companies will continue to be strong, and demand for NISSO is also expected to increase
- ◆New account company group selection is in progress for future business expansion

【Account Company Group Sales】

(Unit: Million yen)

	FY 3/2018 1Q		FY 3/2019 1Q		Increase	% Change
	Amount	% of Total	Amount	% of Total		
Accounts total (4 Groups)	4,575	37.1%	6,107	41.9%	1,532	33.5%
Total sales	12,325	100.0%	14,590	100.0%	2,264	18.4%

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Educational Achievements（NISSO, Non-consolidated）

【1Q Course-specific educational achievements (total # of participants)】

Training course name	Quarterly Total	Educational content
Skilled staff education	523	Standard skilled staff education
Accredited vocational training education	63	Miyagi Prefecture-accredited vocational training (production equipment-related courses)
Manufacturing education	1,173	Basic MONOZUKURI (manufacturing) education, out-bound education (MONOZUKURI, safety, etc.)
Safety education	202	Danger・risk simulation education
Basic maintenance education	34	Basic equipment maintenance education
Employee education	149	New graduate/mid-career entry training, newly appointed chief education, on-site supervisor education…
Other education	22	Contracted education from external sources
Total	2,166	

- Conducted education for 2,166 participants in 1Q (including 523 skilled staff)
- Skilled staff education participants are assigned to high-unit cost production sites, including account companies, which leads to rise in sales per capita
- Other education is also actively conducted to improve employee/staff ability and retention, also in an effort to increase sales
- NISSO will continue to focus on education in order to achieve mid-term management plan goals and for employee growth

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Educational Achievements（NISSO, Non-consolidated）1Q Topics

[Nisso Technical Center Naka-Nihon (Okaya City, Nagano)]　※Opened on May 1, 2018

- Semiconductor manufacturing equipment maintenance　Course Period: 1.5 months
- # of participants to date: 3 terms/33 (10 - 15 participants/course)
- Upon course completion, participants are assigned to work at major semiconductor manufacturers of account companies
- FY 3/2019　Expected # of Nisso Technical Center Naka-Nihon participants:　240





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Recruiting Reinforcements

Yokohama Tsurumi Center【Scheduled opening: September 2018】

Aggressive recruiting methods

Actively approaching potential candidates (Scout-type)

<Improvement of recruitment capabilities with dedicated teams>

In order to approach potential job seekers, NISSO is establishing the Yokohama Tsurumi Center, utilizing HR information databases, and conducting scouting of "required personnel" to meet job seeker needs at their "required timing", to achieve increased recruitment and low-cost hiring



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Earnings Forecast for FY 3/2019

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Future Prospects (Market Environment and Competitive Advantages of Nisso Group)

	Market Environment	Nisso Group's Competitive Advantages
Market Environment	**Automobiles (Parts)** Market expansion due to advances in development of EV's and self-driving vehicles **Semiconductors・Electronic Components** Increase in demand for in-vehicle devices, IoT market expansion, etc.	Placement of skilled staff into strong automobile (parts) and semiconductor・electronic components account companies to increase staffing levels and raise unit prices
Recruiting Environment	Effective opening-to-application ratio of jobs remains at a high level ⇒ competition for recruitment is expected to intensify	Promotion of efficient recruiting activities through utilization of own recruitment websites and big data
Revised Worker Dispatch Law	Career development support, provision of 8 hours of education and training opportunities per year, maintenance of stable work environments	Provision of educational programs including education and training at 7 educational facilities nationwide
Revised Labor Contract Act	Conversion to indefinite-term labor contracts from April 2018 / Adoption of "Termination of Employment Doctrine"	Appointment of skilled staff, establishment of conversion system to indefinite-term employment
RBA (ex-EICC) (Responsible Business Alliance)	Regulation of workers' human rights protection, health and safety, environmental conservation, and corporate ethics in supply chains of electronic equipment-related industries. Same standards are required at dispatching companies	Disaster prevention through extensive health and safety activities, creation of comfortable work environments
Conclusion	**Demand for HR services will continue to increase** ⇒In order to correspond to intensified job markets and revised laws/acts, NISSO's expertise and strength as a company will continue to be required Business environments for small-scaled・local dispatching companies have become tougher, as **selection of suitable dispatching companies continues**	NISSO has continued to respond to changes in surrounding environments ⇒**Business environments are favorable for NISSO**

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FY 3/2019 Consolidated Earnings Forecast

◆Consolidated earnings forecast for FY 3/2019 is unchanged from initial forecast

■ **Regarding Sales**

Increase in revenue is expected due to account strategies and increase of skilled staff (# enrolled by FY 3/19-end: 4,000)

■ **Regarding Operating Profit**

Although upfront investment in education and recruitment reinforcements, as well as upfront investment in new facilities for other businesses may be suppressing factors, improvement of sales per capita and strengthening of operational frameworks have contributed to productivity, and **profit growth** is expected

	FY 3/18 Results		FY 3/19 Forecast		Year-on-Year	
	Results	% of Total	Results	% of Total	Increase	% Change
Net sales	**59,208**	**100.0%**	**65,686**	**100.0%**	**+6,478**	**+10.9%**
Operating profit	**1,800**	**3.0%**	**2,099**	**3.2%**	**+299**	**+16.6%**
Ordinary profit	**1,781**	**3.0%**	**2,144**	**3.3%**	**+363**	**+20.4%**
Profit attributable to owners of parent	**1,014**	**1.7%**	**1,376**	**2.1%**	**+362**	**+35.7%**

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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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