

NISSO CORPORATION

【Main Q&A at the Financial Results Briefing for the First Six Months of FY 3/2020
(for Institutional Investors and Analysts)】

Held on November 11, 2019

The following content is not a record of the contents of all of the questions and answers. In addition, some revisions and corrections have been made to make the content easier to understand.

Q1: Including considerations for "work style reform", how much will the number of skilled staff increase until the end of March next year?

A1: NISSO has no new plans to increase the number of skilled staff during the current fiscal year, since our original target for FY 3/2022 as described in our medium-term management plan is set for 8,000 skilled staff. However, although it is without doubt that we will increase the number of skilled staff in such a trend in the future, in light of "work style reform", the most important thing that we would like to concentrate our efforts on is to increase the number of skilled staff while maintaining a balance between the development conditions of these workers, orders from clients, and the educational structure. Since 80% of these skilled staff are appointees chosen, or promoted from "regular" staff, it is crucial to train and educate them in a parallel manner to enhance their skills in order to enable them to raise their treatment (salary).

Q2: The full-year outlook for Other Businesses is expected to be in the black, or to have a positive surplus, but to what extent is it to be expected?

A2: At Sweetpea Higashi Totsuka, in order to increase the number of residents from the second quarter onwards, since labor costs and other expenses of workplace staff have been incurred in advance, firstly, we are aiming for full-year profitability in the current fiscal year.

Q3: In the automobiles-related industry, although orders have been extremely strong, will there be similar effects in the second half of the fiscal year? In addition, although the situation of electronic components industry seems to be very uncertain, how much recovery will be visible in the third quarter, for example? Moreover, even if the situation has bottomed out, will it still be difficult for it to be brought to the same level

as the previous year? Please inform us about the current situation.

A3: With regards to the automobiles-related industry, there are clients who have already provided NISSO with orders, as well as manufacturers who are still uncertain about future trends. When considering only the clients who have already decided on their orders to us, they are expected to maintain the same momentum as before. However, it is believed that trends will become even stronger if we can receive orders from companies that have not provided us with orders at present.

With regards to the electronic components industry, there are companies that are recovering, and others who still do not see the timing of recovery. Although it is extremely unlikely to think that the electronic components industry as a whole will decline in the future, it is difficult to provide a concrete explanation at this time. However, in NISSO's plan for the second half of the fiscal year, we expect the electronic components industry to grow, based on the number of orders we have already received.

Q4: Although it has been said that unit-costs will increase in response to "work style reform" next year, why exactly will they increase?

A4: In line with "Equal Pay for Equal Work" under the Acts Related to Work Style Reform, the basis of the idea is that in cases where non-regular employees who are directly employed by manufacturers perform basically the same duties as regular employees, they should be treated (paid) in the same way, or even in cases where they perform different duties, a balance should be kept. In the case of dispatching, there are two methods of response. One method is to provide fair and balanced treatment (salary) as provided for at clients, or to strike a balance with said clients, and the other method is to establish a labor-management agreement within a human resources company like NISSO. As a trend, major dispatching companies will choose the labor-management agreement method. Therefore, since we have to balance the treatment between our (regular) employees and contract employees, we are in the process of reviewing their salaries and allowances, and negotiating unit-costs with our clients. Please understand that unit-costs will increase as a result of this.

Q5: Looking forward to the spread of 5G, how much will demand increase with the expansion of clients due to their launching of new factories in 2020 and other new business developments?

A5: Honestly speaking, it is not clear at the moment how much growth there will be from the year 2020 onwards when 5G is set to begin. At the present time, while NISSO has already received planned orders at the same level as before from semiconductor manufacturers within our Account Company, there are several clients who have not provided us with definitive contents of orders. Although we have some assumptions, we will refrain from responding specifically as to how much demand will increase at this time.