

NISSO CORPORATION

【Main Q&A Explanation of Financial Results for the First Quarter of FY 3/2021】

Announced on August 20, 2020

The following content contains the main questions and answers from the questions received after the announcement. In addition, some revisions and corrections have been made to make the content easier to understand.

Q1: Although the automobiles and electronic devices industries bottomed out in 1Q, will they recover from 2Q?

A1: In 1Q, in the automobiles-related industry, although production decreased gradually due to a sharp decline in demand as a result of the spread of new coronavirus (COVID-19) infections in Japan and overseas, production conditions are on a gradual recovery trend. The Account Companies, who are NISSO'S major clients, are expected to recover production volumes from August onwards as originally planned, and the number of orders to us is increasing accordingly. In addition, regarding the electronic devices industry, as IT infrastructure investment remains strong, demand for 5G-related semiconductors such as base stations is expected to increase, as well as the demand for automobiles-related products, and demand for human resources is expected to recover as a result of these factors.

Q2: Isn't the Full-year Consolidated Forecast announced this time, with the automobiles-industry on a recovery trend, quite conservative?

A2: Although NISSO's Full-year Consolidated Forecast was based on the assumption that economic activity would gradually resume from 2H and that the business environment of the Nisso Group would recover moderately, in the automobiles-related industry, which is our main client, demand is recovering ahead of the forecast made when calculating our earnings forecast. As the circumstances have changed since the time of calculation, although it can be said that it is a conservative forecast, the impact of the spread of COVID-19 infections in the future and the recovery situation in all of the industries other than the automobiles-related industry is still uncertain, so first of all, NISSO aims to achieve this consolidated earnings forecast announced this time as early as possible.

Q3: Although SG&A expenses, mainly recruitment expenses, decreased, will they increase from 2Q onwards?

A3: In 1Q, although recruitment expenses decreased due to a decline in demand, in 2Q, orders from clients gradually increased, and as a result, recruitment expenses are expected to increase. In addition, although we will continue to control all other expenses in general, since we will continue to make investments related to education

and development that increase the added value of NISSO's employees and investments that we deem necessary for our growth, we expect that SG&A expenses will increase from 2Q onwards.

Q4: What is the purpose (and effect) of the capital and business alliance with Cross Compass?

A4: Although NISSO provides services such as human resources dispatching or contracting, we believe that new technological innovations will advance at manufacturing sites in the future, and that productivity and quality will increase by introducing IoT, AI, robots, etc., to manufacturing sites. Under such circumstances, we also had the opportunity to speak with clients, and realized that a new business model to solve problems was necessary at the post-COVID-19 manufacturing sites. Therefore, we have started discussions on a capital and business alliance with Cross Compass, which is engaged in AI development and technology consulting, mainly to solve problems in the manufacturing sector. Through this alliance, we will add the AI technology and development capabilities of Cross Compass to our extensive knowledge and human resources at our clients' manufacturing sites, create high value-added services called "*Worksite Solutions by Humans and AI*", and aim to build a structure that can promptly respond to the problem-solving and needs at our clients' manufacturing sites. With this realization, even if labor saving and automation progress at manufacturing sites and the demand for conventional operators decreases, we believe that it is possible to expand our business performance by responding to new "needs" such as solving problems at manufacturing sites.

Q5: Will Other Businesses become profitable this fiscal year?

A5: With regards to the occupancy status of Building 6 (Sweetpea Higashi Totsuka), as a result of facility previews via the web and other possible measures, the number of residents has increased, and as of the end of July, the number of residents has increased to 82. The capacity of Building 6 is 94 residents, and we will continue to increase the number of its residents in the current fiscal year. By stabilizing the number of residents, we are aiming to achieve profitability within the current fiscal year.

Q6: Will the number of skilled staff, centering on equipment maintenance personnel, continue to increase?

A6: Regarding equipment maintenance, such as semiconductor manufacturing equipment, where many skilled staff are employed, the demand from clients will continue to be high, and the number of skilled staff is expected to increase in response to such needs. In addition to this equipment maintenance, NISSO will also

develop and train highly-skilled staff who can provide high-quality services in new sectors such as production technology.

As just described, we believe that in the future, NISSO will be able to respond to the needs of various clients by increasing the number of skilled staff who are able to respond to the needs of new clients, in addition to providing equipment maintenance personnel to current clients who have high needs, and we believe that this will lead to the expansion of our business performance.