

NISSO CORPORATION

【Main Q&A at the Financial Results Briefing for FY 3/2021 and FY 3/2022 ~
FY 3/2024 Medium-term Management Plan】

Held on May 14, 2021

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

Q1 : In the prospects for the current FY, profits seem to have been suppressed, but it is correct to understand that you will be promoting your company's website and investing in new businesses?

A1 : There is no problem with that understanding. We will ensure a profit of 3 billion yen after making investments in order of priority.

Q2 : Regarding the increase in net sales for the current FY, please tell us about the increase in enrolled staff and the increase in net sales per capita separately.

A2 : Regarding the increase in the existing number of enrolled staff, NISSO operated on average of about 12,900 staff in the previous FY, and annual net sales per capita was less than 4.8 million yen. In contrast, the annual net sales per capita for this FY is expected to be 5 million yen, and the average number of enrolled staff is expected to be 13,680.

Since the engineering area has been set aside for this FY, the basic number of total personnel is expected to be on average about 14,200 enrolled, including the addition of about 600 engineers enrolled.

Q3 : As new challenges in this Medium-term Management Plan, it seems that M&A, partnerships with external capital, and promotion of new alliances are major premises, but since the plan was made conservatively, please tell us in detail whether 6.7 billion yen (expected consolidated operating profit for FY 3/2024) can be reasonably executed even if M&A and new businesses・partnerships do not go well.

A3 : Due to the rapidly changing times, we have a sense of crisis that if we spend too much time, our clients' needs and work-styles may change. We have already started discussions with members of other companies about JVs (joint ventures) and commercial IS (intelligent systems). Although NISSO has a lot of experience in the analog (real) area, we are not very good in the digital sphere.

Therefore, we have been looking for companies that have the potential to make up for our shortfalls through JVs and IS, for 2 years. In that context, we are firmly engaged in discussions during the current FY with the aim of promoting the concept with partners who can face the issue with us positively. M&A in existing areas is not reflected in the plan, because it cannot have an impact on sales and profits. In 3 years, we will make sure to succeed with new partners, create competitive businesses, and achieve our business plans for expanding our technological areas and creating new businesses.

Q4 : I would like to ask you about the expansion of the engineering area.

Please tell us what ratio you expect to increase the market share of existing areas and expand into new areas.

A4 : The ratio is assumed to be 2: 1.

Regarding M&A and alliances, there are some aspects that cannot be assumed. Regarding existing areas, we can see the needs from our clients to some extent, and NISSO also has the expertise to develop human resources, so it is easy to make assumptions. However, due to the progress of M&A and alliances, the ratio may not necessarily be 2:1, and we believe it is possible that the ratio may be overturned.

Q5 : As for the existing areas of engineers, does it mean that the semiconductor-related fields will expand?

A5 : What we take pride in is the development of human resources for equipment maintenance, and we believe that it is probably the most advanced in the industry. For example, if we assume the needs of other semiconductor manufacturers based on the needs and plans of our clients in the semiconductor field, we believe that we can sufficiently increase our market share by developing human resources to meet such needs. On the other hand, regarding the needs for AI and IT, we believe that it is quite difficult to secure human resources through mid-career recruitment. In the event that the COVID-19 pandemic clears, it is quite conceivable to consider the utilization of foreigners, but it would be a difficult situation to actively recommend. From here on out, we believe that equipment maintenance personnel will definitely be required not only for semiconductors, but also in the automotive (EV) battery field. Therefore, we would like to expand equipment maintenance in the automobiles field over to medium- to long-term.

Q6 : Regarding the increase in net sales in the Medium-term Management Plan, please tell us about your image of the ratio of organic growth and growth through M&A. In addition, please tell us about the image of each segment, the criteria by which NISSO conducts M&A, and the profitability with synergies.

A6 : At this stage, M&A growth is expected to be around 10%. Since we have little experience, we do not anticipate a large-scale M&A, and are considering M&A with a company with a scale of up to about 5 billion yen in annual sales. We are proceeding with business negotiations and preparations for companies with distinctive characteristics that have their own factories and provide human resources services, or companies that deal with foreign trainees and increase the value of human resources in the area of specific skills, etc., as targets.