

## **NISSO CORPORATION**

【Main Q&A at the Financial Results Briefing for the First Six Months of FY 3/2021】

Held on November 10, 2020

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.

Q 1 : How many skilled staff are expected in 2H? In addition, what is the expected net sales per capita of skilled staff?

A 1 : Under the current Medium-term Management Plan, the number of skilled staff was expected to increase by 2,000 per fiscal year. However, if we are too particular about the number of staff, the appointment of skilled staff in the high unit-cost and high value-added areas will not progress, and since the COVID-19 pandemic is expected to be severe, it is our plan to increase the number of skilled staff by 150 to 200 per quarter. In addition, 50% of skilled staff are assigned to Account Companies, and since approximately 1,300, or nearly half of such staff, are assigned to automobiles companies, orders from such Account Companies are expected to increase the number of skilled staff.

The net sales per capita of skilled staff vary by industry and business partner. For example, although employees who are engaged in semiconductor equipment maintenance, or who have a high level of skill in automobiles, have a net sales per capita of more than 500,000 yen, in the event that they need to be trained in electronic components, the net sales per capita of some staff may not be as high. One of the reasons for wanting to control the speed of the increase in skilled staff is to assign skilled staff to areas with added value in order to promote the improvement of treatment and increase unit costs of such staff, and by doing so, we aim to increase their net sales per capita.

Q 2 : How much net sales do you expect from Account Companies in 2H? In addition, how much of an increase do you expect in the automobiles and electronic devices-related areas?

A 2 : Regarding Account Companies, we expect that there is still room for growth for automobiles companies, including auto body manufacturers. Since we expect to receive orders from suppliers that we have not yet received orders from towards the end of the year, we will attempt to increase net sales from these incoming orders first.

Although it is difficult to predict how much the net sales of Account Companies will increase in 2H, we expect an increase in enrollment of approximately 200 to 300 staff

in automobiles companies. In the semiconductor area of electronic components and electrical machinery companies, orders to NISSO will also fluctuate depending on whether or not those companies can supply parts planned for China, depending on the trends of the U.S.-China issues. In the event that the current situation remains unchanged, it is expected that the number of staff will increase by approximately 150. However, if it becomes possible for those companies to supply parts to China, the number of personnel for orders received will increase, so we expect the number of enrolled staff and net sales to also increase.

Q 3 : Although it has been said that engineers will continue to be hired in 2H, how many are you thinking about hiring? In addition, are the costs of hiring such engineers included in the investments planned for 2H?

A 3 : Although AI engineers working in cooperation with Cross Compass will be hired both mid-career and new, we are mainly planning to relocate the engineers who are currently working. In order to do so, since they will have to learn the basics of AI, we are planning on using costs for training rather than for hiring. This in-house engineer training is expected to be for approximately 30 engineers within the fiscal year. In the future, it will be the equipment maintenance personnel who operate the equipment that implements AI and human resources who provide feedback to the development of AI data that will increase the number of personnel in this field of AI, and we believe that these human resources can be relocated while training those who are currently working at NISSO. If such training progresses, although the number of engineers will also increase, the specific target number of such personnel has not yet been decided because it has just begun.

In addition, with regards to mid-career recruitment, since we anticipate that it will be difficult to recruit/hire such human resources in this field in Japan, we would like to prepare and coordinate the recruitment and hiring of overseas engineers with Cross Compass for the next fiscal year.

Q 4 : What are your thoughts on specific areas regarding M&A?

A 4 : In the human resources services category, we would like to conduct M&A centering on companies that have the expertise that NISSO does not have in the reorganization of the human resources services industry for manufacturing, or with companies that have clients that we have not yet been able to do business with. Another would also be in the human resources services category, and the M&A of a company that uses current technology for recruitment and matching would also be a candidate.

Q 5 : Please tell us about the platform for the manufacturing industry in collaboration with Cross Compass.

A 5 : Until now, Cross Compass has been a company that, in response to client requests, looks at factories, provides consulting on quality and productivity issues, develops AI to solve such issues, and implements them in production equipment/facilities. NISSO plans to develop human resources who can understand and execute what kind of AI implementation will lead to the improvement of client productivity and quality by first identifying on-site issues at contracting sites and discussing them with clients and Cross Compass. In addition, since Cross Compass has a structure to easily develop AI, we believe that we can play a role in the area of system development that can be done even if it is not so high level, and we are planning to propose it to companies as a solution that combines our human resources with conventional Cross Compass services.

Q 6 : How do you see the business environment, such as the demand for external human resources, from the next fiscal year onwards?

A 6 : In the manufacturing industry, which is our area of business, although it is unlikely that AI or robots will suddenly be able to perform work tasks in the next year or so, since manufacturers are aware of chronic labor shortages, we assume that these technologies will eventually proceed. A state-of-the-art semiconductor factory of NISSO's client can be used as reference; the work of the few employees there is centered on equipment maintenance, rather than work that is usually performed by operators. Although we assume that such changes in factories will spread in the area of electronic devices first, if this happens, one of the answers to how to increase the value of operators will be AI, and we will develop human resources who are able to handle or maintain devices/equipment that implement AI. Although NISSO will promote the development of such human resources, if the speed of change of our clients increases and we are not able to develop the necessary human resources as needed by such clients, our growth will be limited. However, if clients gradually change as we expect them to, since we will have some time to develop such human resources, we expect to be able to achieve the same kind of growth as before.

Q 7 : Although the number of enrolled staff decreased in 1Q and 2Q, what is the status regarding contract terminations and new orders received? In addition, what will the situation be like in 2H?

A 7 : In 1Q, the number of new order personnel rarely exceeded the number of personnel at sites that ended, and our basic response for clients that needed

personnel was to transfer staff that were already enrolled. In 2Q, we received a new order from an auto body manufacturer of our automobiles Account Company, which was for a net increase of approximately 200 to 300 staff. However, on the other hand, auto parts manufacturers and other automobiles manufacturers continued to have not bottomed out and faced severe conditions, resulting in a decrease of approximately 700 staff.

At present, when considering the replenishment of staff who have resigned, although enrollment would remain mostly level if 500 staff were to join NISSO at once, we expect that it will be possible to increase the number of staff by 100 per month as a result of new orders received for 2H. However, since it may be possible that some industries have yet to bottom out, although it may be a little conservative, our plan is to increase the number of enrolled staff by 500 in 2H.

Q 8 : Gross profit was slightly lower than the previous fiscal year. There may be several factors for this, but was the biggest factor due to the use of paid leave (by staff, etc.)?

A 8 : Although the use of paid leave was one of the factors, the main factor was that net sales per capita have not returned to previous levels.