



Summary of Consolidated Financial Results for the First Quarter of FY 3/2021 [Japanese GAAP]

August 7, 2020

Company Name NISSO CORPORATION Stock Exchange Listing: Tokyo
 Securities Code 6569 URL <https://www.nisso.co.jp/>
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 Sr. Executive Officer,
 Contact Person (Title) Corporate Planning Dept. Director (Name) Kenichi Nomura TEL +81-45-514-4323
 Scheduled date of filing August 7, 2020 Scheduled date of payment of dividend —
 Quarterly Report
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (Video of financial results explanation will be posted on the Company's website on Aug. 20, 2020 (Thursday) in Japanese only)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY 3/2021 (April 1, 2020 – June 30, 2020)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three months ended								
June 30, 2020	16,557	(7.9)	206	(56.8)	238	(51.3)	101	(71.6)
June 30, 2019	17,983	12.4	477	28.2	490	26.0	357	47.6

(Note) Comprehensive income For the first 3 months ended June 30, 2020: 102 Million yen (-67.6%)
 For the first 3 months ended June 30, 2019: 315 Million yen (34.2%)

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
June 30, 2020	3.01	2.99
June 30, 2019	10.65	10.53

(Note) The Company's common stock was split at a ratio of 2 shares for 1 on May 1, 2019. "Net income per share" and "diluted net income per share" are calculated assuming that the shares were split at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2020	20,031	11,152	55.7
March 31, 2020	22,494	11,895	52.9

(Reference) Equity capital As of June 30, 2020: 11,152 Million yen
 As of March 31, 2020: 11,895 Million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ending March 31, 2020	Yen —	Yen 0.00	Yen —	Yen 25.00	Yen 25.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	9.32	9.32

(Note) Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for FY 3/2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	64,000	(14.6)	1,500	(51.0)	1,750	(44.4)	1,050	(48.4)	31.06

(Note) 1. Revisions to the most recently announced consolidated earnings forecast: Yes

2. For details regarding the Consolidated Forecast, please refer to the "Notice of Full-year Consolidated Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2021" announced today (August 7, 2020).

※ **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: (Co. name) , Excluded: (Co. name)

(2) Application of special accounting methods for the presentation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

- ① Changes in accounting policies due to revisions in accounting standards, etc.: None
- ② Changes in accounting policies other than ① above: None
- ③ Changes in accounting estimates: None
- ④ Restatements: None

(4) Number of outstanding shares (Common stock)

① Number of shares outstanding at the end of the period (including treasury shares)	As of Jun. 30, 2020	34,201,200 Shares	As of Mar. 31, 2020	34,201,200 Shares
② Number of treasury shares at the end of the period	As of Jun. 30, 2020	390,853 Shares	As of Mar. 31, 2020	390,853 Shares
③ Average number of shares outstanding during the period (Quarterly total)	First three months ended Jun. 30, 2020	33,810,347 Shares	First three months ended Jun. 30, 2019	33,567,403 Shares

(Note) The Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019. "Number of shares outstanding at the end of the period", "number of treasury shares at the end of the period" and "average number of shares outstanding during the period" are calculated assuming that the shares were split at the beginning of the previous consolidated fiscal year.

※ The quarterly financial statement is not subject to the quarterly review procedures of certified public accountants or auditing corporations

※ Cautionary statement on the appropriate use of earning forecasts, and other special items

(Notes on forward-looking statements, etc.)

• Earnings forecasts regarding future performance and other forward-looking statements in this material are based on certain assumptions judged to be valid and on information that is currently available to the Company, and do not represent promises by the Company that these figures will be achieved. In addition, actual results may differ significantly due to a variety of factors. For prerequisite conditions, etc. regarding the earnings forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Future Forecast Information such as Consolidated Forecasts, etc." on P.4 of the attachments.

(Supplementary materials for quarterly financial results and method of obtaining content for quarterly financial results meeting)

Materials related to the explanation of the Company's financial results are scheduled to be posted on its website on August 7, 2020 (Friday).

In addition, a video of the Financial Results Explanation is scheduled to be posted on the Company's website on August 20, 2020 (Thursday). **(In Japanese only)**

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the First Quarter of FY 3/2021 (April 1, 2020 – June 30, 2020)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Quarterly net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three months ended								
June 30, 2020	15,153	(8.5)	204	(56.3)	219	(53.3)	96	(71.7)
June 30, 2019	16,566	13.5	468	17.3	469	14.2	342	31.7

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
June 30, 2020	2.86	2.85
June 30, 2019	10.20	10.09

(Note) The Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019. "Net income per share" and "diluted net income per share" are calculated assuming that the shares were split at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2020	17,622	10,499	59.6
March 31, 2020	20,024	11,247	56.2

(Reference) Equity capital As of June 30, 2020: 10,499 Million yen
As of March 31, 2020: 11,247 Million yen

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Although Japan's economy during the current consolidated cumulative first quarter (hereinafter, the "period under review") remained in harsh conditions due to the spread of the new coronavirus infections (hereinafter, "COVID-19 infections"), there have been signs of resumption in economic activity with the lifting of the state of emergency declaration in May 2020. On the other hand, it is necessary to pay close attention to the effects of the spread of COVID-19 infections in both Japan and overseas, the US-China trade friction, and fluctuations in financial and capital markets.

As for the business environment surrounding the Nisso Group (hereinafter, the "Group"), regarding the production of domestic manufacturers, who are important clients, the production of transportation equipment (mainly automobiles) decreased significantly due to the decline in global consumption, while the production of electronic components and devices remained firm due to investments in IT infrastructure. Also, employment conditions have deteriorated due to significant decreases in the number of employed persons and new job openings, which have also affected the need for external human resources utilization of NISSO CORPORATION's (hereinafter, the "Company") clients.

In the midst of such severe economic conditions, based on its founding philosophy of *"Nurturing and Bringing Out the Best in People"*, the Group will continue to implement the following initiatives in order to achieve the enhancement of corporate value, with the aim of creating workplaces where workers can gain a sense of fulfillment and flourish, as well as providing services that can contribute to its growth as a company.

In the period under review, in the manufacturing-related human resources business, the Group's core business, the Company has been actively developing human resources by utilizing its own educational facilities in order to improve the skills and retention rate of manufacturing staff, under the strategy of focusing on the assignment of "skilled staff", who are indefinite-term employees, to Account Companies, who are positioned as important clients.

In Other Businesses, the Group has increased profitability by improving the quality of services provided at "Sweetpea", its nursing care facilities located in 6 locations in Yokohama, increasing the number of its residents, and by making efforts to improve its management structure through the promotion of operational efficiency.

As a result, the results of operations for the period under review are as follows: net sales of 16,557 million yen (down 7.9% year-on-year), operating profit of 206 million yen (down 56.8% year-on-year), ordinary profit of 238 million yen (down 51.3% year-on-year), and profit attributable to owners of parent amounted to 101 million yen (down 71.6% year-on-year).

Furthermore, although the Group is strengthening measures to prevent the spread of COVID-19 infections and carrying out business activities with the safety of its clients and employees as a top priority, in the event of an occurrence where individuals are affected by the virus at its clients, workplaces or nursing care facilities, the business performance of the Group may be affected. Meanwhile, with the lifting of the state of emergency declaration in May 2020, economic activity has resumed, albeit gradually, and since the production activities of clients related to the Company will moderately recover from the second quarter onwards, it is expected that the utilization needs of external human resources will also recover.

The results of operations by segment are as follows:

(Human Resources Services Business)

Within the General Human Resources Services Business, the Company carries out manufacturing dispatching and contracting for its manufacturing-related human resources services, general office work dispatching and BPO (Business Process Outsourcing: the outsourcing of operations and processes of specific business-related tasks to a [third-party] specialized company) for its administrative human resources services.

In manufacturing-related human resources services, the core business which accounts for 91.6% of consolidated net sales in the period under review, under the policy of preventing the spread of COVID-19 infections, although the Company attempted to increase the motivation of manufacturing staff to work and improve the retention rate by implementing on-line education without conducting group training, net sales in the automobiles-related industry decreased (down 20.4% year-on-year) due to a

drop in demand as a result of the spread of COVID-19 infections. Meanwhile, net sales in the electronic devices-related industry increased (up 15.4% year-on-year) due to the impact of investments in IT infrastructure. Although the Group has been engaged in business activities with the aim of protecting the employment of manufacturing staff, the need for external human resources utilization of clients remained sluggish, and the number of enrolled staff decreased by 1,527 staff compared to end of the previous consolidated fiscal year.

On the other hand, in manufacturing-related human resources services, although net sales related to Account Company Groups, who are positioned as important clients, decreased (down 5 million yen year-on-year), the net sales share ratio was at 47.7% (up 3.6% year-on-year). Also, the needs of skilled staff, who have a high set of skills and high retention rates, remained firm, and such staff increased by 137 staff compared to the end of the previous consolidated fiscal year.

However, in the period under review, despite efforts to control expenses such as recruitment expenses, decreases in staff enrollment and net sales were not fully absorbed, resulting in decreased revenues and profits.

As a result, net sales amounted to 15,839 million yen (down 8.5% year-on-year), and operating profit was 225 million yen (down 51.9% year-on-year).

(Other Businesses)

The Company operates nursing care businesses for its Other Businesses.

In the facilities nursing care business, which is the core business of this business segment, although the number of residents of the nursing care facility "Sweetpea Higashi Totsuka" increased during the period under review, under the policy of preventing the spread of COVID-19 infections, the number of new residents slowed due to the suspension of facility preview events, and increases in the cost of sales, such as personnel and operating expenses were not fully absorbed, resulting in increased revenues and decreased profits.

As a result, net sales amounted to 720 million yen (up 7.0% year-on-year), and operating loss was 18 million yen (was an operating profit of 9 million yen in the corresponding period of the previous year).

(2) Description of Financial Position

(Assets)

Current assets at the end of the period under review amounted to 13,273 million yen, which was a decrease of 2,348 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases of 1,362 million yen in notes and accounts receivable (trade), and 1,002 million yen in cash and deposits.

Non-current assets at the end of the period under review amounted to 6,757 million yen, which was a decrease of 113 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 77 million yen in "other" under the investments and other assets category.

As a result, total assets amounted to 20,031 million yen, which was a decrease of 2,462 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the period under review amounted to 7,573 million yen, which was a decrease of 1,705 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases of 739 million yen in income taxes payable, 366 million yen in provisions for bonuses, and 364 million yen in accrued expenses.

Non-current liabilities at the end of the period under review amounted to 1,305 million yen, which was a decrease of 13 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 34 million yen in long-term loans payable.

As a result, total liabilities amounted to 8,879 million yen, which was a decrease of 1,719 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of the period under review amounted to 11,152 million yen, which was a decrease of 743 million yen from the end of the previous consolidated fiscal year. This was mainly due to the 101 million yen in profit attributable to owners of parent, and 845 million yen in dividends of surplus.

As a result, the equity ratio was at 55.7% (which was at 52.9% at the end of the previous consolidated fiscal year).

(3) Description of Future Forecast Information such as Consolidated Forecasts, etc.

In the "Summary of Consolidated Financial Results for FY 3/2020" announced on May 12, 2020, due to the difficulty in calculating a reasonable outlook for the impact of the spread of COVID-19 infections on the Group at that time, the Full-year Consolidated Forecast for FY 3/2021 was not yet decided. However, with the lifting of the state of emergency declaration in May 2020, it is assumed that economic activity will gradually resume and that the business environment of the Group will moderately recover with preventive measures from the second quarter onwards, and therefore, the Full-year Consolidated Forecast has been calculated based on the information available at this time.

For details, please refer to the "Notice of Full-year Consolidated Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2021" announced today (August 7, 2020).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Million yen)

	FY 3/20 (As of Mar. 31, 2020)	1Q of FY 3/21 (Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	6,365	5,363
Notes and accounts receivable - trade	8,434	7,071
Other	827	843
Allowance for doubtful accounts	(4)	(4)
Total current assets	15,622	13,273
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,852	1,828
Land	2,738	2,738
Other, net	164	184
Total property, plant and equipment	4,754	4,750
Intangible assets	377	344
Investments and other assets		
Other	1,740	1,662
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,739	1,662
Total non-current assets	6,871	6,757
Total assets	22,494	20,031
Liabilities		
Current liabilities		
Current portion of long-term loans payable	126	137
Accrued expenses	4,648	4,283
Income taxes payable	812	72
Provision for bonuses	879	512
Provision for directors' bonuses	-	4
Other	2,812	2,564
Total current liabilities	9,279	7,573
Non-current liabilities		
Long-term loans payable	623	589
Net defined benefit liability	303	349
Other	392	365
Total non-current liabilities	1,319	1,305
Total liabilities	10,598	8,879
Net assets		
Shareholders' equity		
Capital stock	2,012	2,012
Capital surplus	2,369	2,369
Retained earnings	7,926	7,182
Treasury shares	(334)	(334)
Total shareholders' equity	11,974	11,230
Accumulated other comprehensive income		
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans	(79)	(79)
Total accumulated other comprehensive income	(78)	(78)
Total net assets	11,895	11,152
Total liabilities and net assets	22,494	20,031

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First Quarter of FY 3/21)

(Unit: Million yen)

	1Q of FY 3/20 (Apr. 1, 2019 - Jun. 30, 2019)	1Q of FY 3/21 (Apr. 1, 2020 - Jun. 30, 2020)
Net sales	17,983	16,557
Cost of sales	15,019	14,197
Gross profit	2,964	2,360
Selling, general and administrative expenses	2,486	2,154
Operating profit	477	206
Non-operating income		
Interest income	0	0
Dividend income	3	0
Share of profit of entities accounted for using equity method	-	0
Subsidy income	14	33
House rent income	8	10
Other	4	5
Total non-operating income	31	50
Non-operating expenses		
Interest expenses	3	3
Share of loss of entities accounted for using equity method	1	-
Rent expenses	4	6
Other	8	8
Total non-operating expenses	18	18
Ordinary profit	490	238
Extraordinary income		
Gain on sales of investment securities	64	-
Total extraordinary income	64	-
Extraordinary losses		
Loss on sales of investment securities	3	-
Directors' retirement benefits	-	50
Total extraordinary losses	3	50
Profit before income taxes	551	188
Income taxes - current	40	30
Income taxes - deferred	153	55
Total income taxes	194	86
Profit	357	101
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	357	101

(Quarterly Consolidated Statement of Comprehensive Income)
(First Quarter of FY 3/21)

(Unit: Million yen)

	1Q of FY 3/20 (Apr. 1, 2019 – Jun. 30, 2019)	1Q of FY 3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	357	101
Other comprehensive income		
Valuation difference on available-for-sale securities	(41)	–
Remeasurements of defined benefit plans, net of tax	(1)	0
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(42)	0
Comprehensive income	315	102
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	315	102
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Accounting Estimates Associated with the Spread of COVID-19 Infections)

Due to the issuance of the "State of Emergency Declaration" targeting all of Japan as a result of the spread of COVID-19 infections, the Company has been limitedly affected by the temporary standby of dispatched staff due to the suspension of production line operations at certain business partners. Even after the lifting of the "State of Emergency Declaration", it is expected that the Company's business performance will continue to be affected by the suspension of operations of production lines due to global logistics delays and a decline in demand, but the prospects for the spread of COVID-19 infections and the timing of their convergence are uncertain.

In determining the recoverability of deferred tax assets and determining the impairment loss of non-current assets, the Company assumes that the effects of the spread of COVID-19 infections will gradually recover from the second quarter onwards.