To Our Shareholders

Internet Disclosure Items Concerning
the Notice of the 40th Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

Pursuant to the Companies Act and Article 14 of NISSO's Articles of Incorporation, the above are available to shareholders through our website (https://www.nisso.co.jp/en/).

NISSO CORPORATION

Notes to Consolidated Financial Statements

1. Notes Concerning Significant Basic Items for Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

① Number of consolidated subsidiaries 3

・Names of consolidated subsidiaries

Nisso Brain Co., Ltd.

Nisso Pure Co., Ltd.

Nisso Nifty Co., Ltd.

② Names of non-consolidated subsidiaries

Not applicable.

(2) Application of Equity Method

① Number of affiliated companies accounted for by the equity method 2

・Name of companies

Nikon Nisso Prime Corporation

SHANGHAI NISSO HUMAN RESOURCES Co., Ltd.

② Non-consolidated subsidiaries and affiliated companies not accounted for by equity method

Not applicable.

③ Special notes on equity method application procedures

For the affiliated company accounted for the equity method whose closing dates differ from the consolidated closing date, the financial statements for the relevant fiscal year of the company concerned are used.

(3) Fiscal Year of Consolidated Subsidiaries

The last day of the fiscal year of all consolidated subsidiaries is consistent with the consolidated closing date.

(4) Significant Accounting Policies

① Criteria and methods of valuation of significant assets

Securities

Other securities

With fair market value

The fair market value method based on the market price on the closing date is used. (The full amount of valuation differences are included directly in net assets, and the cost of sales is calculated using the moving average method)

Without fair market value

Stated at cost using the moving average method.

② Depreciation method for significant depreciable assets

A Property, plant and equipment (excluding leased assets)

The declining balance method is used. However, for buildings (excluding attached facilities) that were acquired after April 1, 1998, as well as attached facilities and structures acquired after April 1, 2016, the straight-line method is used.

In addition, the service life of significant assets is as follows:

Buildings and structures 3~50 years

B Intangible assets (excluding leased assets)

The straight-line method is used.

In addition, software for in-house use is based on the estimated period of internal use (5 years).

C Leased assets

Leased assets related to finance lease transactions without transfer of ownership are depreciated over the lease period by using the straight-line method, assuming that the residual value is zero.

③ Reporting standards for significant allowances and provisions

A Allowance for doubtful accounts

In order to provide for losses due to bad debts, the estimated amount of uncollectable debts are recorded for general receivables based on actual bad debt ratios, and by individually reviewing the collectability for specific receivables including doubtful accounts receivable.

B Provision for bonuses

In order to provide for the payment of bonuses to employees, the burden amount in the current consolidated fiscal year (hereinafter, the "fiscal year under review") of the estimated amount of payment is recorded.

④ Accounting methods for defined (retirement) benefits

A Period attribution method of estimated retirement benefit amount

For the calculation of retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review is based on a straight-line basis.

B Method of processing expenses of actuarial differences

Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years for employees (9 years) at the time of recognition, and are allocated proportionately from the consolidated fiscal year following the respective consolidated fiscal year of recognition.

In addition, if pension assets that were recognized in the fiscal year under review exceeded the retirement benefit obligations, they are recorded as net defined (retirement) benefit assets under investment and other assets.

C Use of simplified method for small-scale enterprises

In some retirement benefit plans, the simplified method is applied to net defined (retirement) benefit liabilities and retirement benefit expenses.

⑤ Standards for translating assets or liabilities denominated in foreign currencies into Japanese yen

Foreign currency-denominated receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. In addition, the assets and liabilities of the overseas affiliated company accounted for by the equity method is translated into yen using the spot exchange rate at the closing date of the affiliated company. Moreover, the income and expenses are translated into Japanese yen at the average exchange rate during the period, and translation differences are included in the foreign currency translation adjustment category under the net assets category.

⑥ Significant hedge accounting methods

A Hedge accounting method

For interest rate swaps, special treatment is applied when the necessary requirements for special treatment have been satisfied.

B Hedging instruments and hedged items

Hedging instruments	Interest rate swaps
Hedged items	Loans payable

C Hedging policy

Interest rate swap transactions are conducted to avoid interest rate fluctuation risks of borrowings, and hedged items are identified on an individual contract basis.

D Method of evaluating the effectiveness of hedging

For interest rate swaps, the evaluation of effectiveness is omitted since special treatment is applied.

⑦ Other significant matters for the preparation of consolidated financial statements

Accounting for consumption tax

Consumption taxes are accounted for by the tax-exclusion method.

(5) Changes in Display Method

(Consolidated Balance Sheet)

"Long-term loans receivable" of "Non-current assets", which was listed independently in the previous consolidated fiscal year, is included in "Other" in the fiscal year under review due to its lack of monetary importance.

(6) Additional Information

Due to the issuance of the "Declaration of a State of Emergency" (hereinafter, "Emergency Declaration") throughout Japan due to the spread of COVID-19, the temporary "standby" of dispatched staff as a result of certain business partners has had a limited impact on the Company. Even after the lifting of the Emergency Declaration, the Company assumes that it will be affected to a certain extent by the suspension of manufacturing line operations, etc., due to global logistics stagnation and declining demand. Accounting estimates for the fiscal year under review (recoverability of deferred tax assets, determination of indications of non-current asset impairment) are made based on forecast figures that take this assumption into account.

2. Notes to Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Collateral for Debts

① Assets pledged as collateral

Buildings and structures	993 Million yen
Land	1,628 Million yen
"Other" item of Intangible assets (Subleasing rights)	25 Million yen
Total	2,648 Million yen

(Note) The above assets have revolving mortgages related to bank transactions.

② Collateral for debts

Current portion of long-term loans payable	126 Million yen
Long-term loans payable	623 Million yen
Total	750 Million yen

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment 3,892 Million yen

(3) Electronically Recorded Monetary Claims

Electronically recorded monetary claims 120 Million yen

(4) The Company and its consolidated subsidiary (Nisso Brain Co., Ltd.) have concluded overdraft and commitment line agreements with 4 banks for the purpose of efficient procurement of operating capital. The outstanding balance related to overdraft and loan commitments as of the end of the fiscal year under review, for these agreements are as follows:

Limits of account overdraft and total amount of commitments	5,250 Million yen
Outstanding borrowing balance	-
Balance	5,250 Million yen

3. Notes to Consolidated Statement of Changes in Equity

(1) Type and total number of shares outstanding at the end of the fiscal year under review

Common stock 34,201,200 Shares

(2) Dividends of Surplus

① Dividend payment

Resolution	Type of Shares	Total Amount of Dividends (Million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
June 27, 2019 Ordinary General Meeting of Shareholders	Common Stock	620	37.00	March 31, 2019	June 28, 2019

(Note) Although the Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019, the dividend per share amount is calculated before the stock split.

② Dividends with a record date within the fiscal year under review but an effective date within the subsequent consolidated fiscal year

Expected Resolution	Type of Shares	Source of Dividends	Total Amount of Dividends (Million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
June 24, 2020 Ordinary General Meeting of Shareholders	Common Stock	Retained Earnings	845	25.00	March 31, 2020	June 25, 2020

(3) Type and number of shares subject to share acquisition rights at the end of the fiscal year under review

Common stock	152,000 Shares

4. Notes Concerning Financial Instruments

(1) Status of Financial Instruments

① Policy for handling financial instruments

Essential funds have primarily been procured through bank loans and loan commitments. In addition, regarding the management of temporary surplus funds, it has been a policy of the Company to operate them on a large regular basis at banks on the premise of necessary funds according to its short- and mid-term financial plans.

② Contents of financial instruments and risks related to such financial instruments

Notes and accounts receivable (trade), which are operating receivables, are exposed to credit risks derived from clients. Investment securities are shares of unlisted affiliated companies and shares of companies with which the Company has a business relationship with.

Accrued expenses, which are operating payables, are mainly employee wages and social insurance, etc. Loans payable are primarily the procurement of funds related to business transactions, and parts of long-term loans payable (in principle, within 15 years), as well as lease obligations (in principle, within 5 years) related to finance lease transactions are the procurement of funds related to capital investments. In addition, loans payable are exposed to liquidity risks.

③ Risk management system related to financial instruments

A Management of credit risks (risks of clients' non-fulfillment of a contractual obligations)

In accordance with Credit Management Regulations, due dates and balances for each business partner with respect to note and accounts receivable (trade) have been managed, and the credit situation of major business partners have been ascertained on a regular basis, or once every year. Moreover, the Company has continued to strive to ascertain and alleviate recovery concerns due to the worsening of financial situations at an early stage.

B Management of market risks (market and interest rate fluctuation risks)

Interest rate swap transactions to reduce the risk of fluctuations in interest rates associated with loans payable have been used.

C Management of liquidity risks associated with procurement of funds (risks involving the inability to make payments on the due date)

Based on reports submitted from each division/department, the division in charge of finance has prepared and updated cash flow/financing plans on a timely basis, and has ensured to maintain liquidity on-hand to manage liquidity risks.

④ Supplementary explanation of matters concerning the fair market value of financial instruments

The fair market values of financial instruments include reasonably calculated values. Since various assumptions and factors are reflected in estimating fair market values, other different assumptions and factors could result in other different fair market values.

(2) Fair Market Values of Financial Instruments

The amounts that are recorded in the consolidated balance sheet, the fair market values and the differences between the two are as follows. In addition, those which the fair market values are deemed to be extremely difficult to ascertain are included. (Please refer to (Note) 2).

	Consolidated Balance Sheet Amount	Fair Market Value	Difference
(1) Cash and deposits	6,365 Million yen	6,365 Million yen	- Million yen
(2) Notes and accounts receivable - trade	8,434	8,434	-
Asset total	14,799	14,799	-
(1) Accrued expenses	4,648	4,648	-
(2) Income taxes payable	812	812	-
(3) Accrued consumption taxes	1,904	1,904	-
(4) Long-term loans payable (including current portion)	750	764	13
Liabilities total	8,115	8,129	13
Derivative transactions	-	-	-

(Note) 1. Method of calculating the fair market value of financial instruments and securities/derivative transactions.

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these are settled in a short period of time, and the fair market values approximate the book values, thus they are based on the book values concerned.

Liabilities

(1) Accrued expenses, (2) Income taxes payable, (3) Accrued consumption taxes

Since these are settled in a short period of time, and the fair market values approximate the book values, thus they are based on the book values concerned.

(4) Long-term loans payable (including current portion to be repaid within 1 year)

Fair market values of long-term loans payable are calculated by the (then) present values based on the sum of principal and interest as discounted by the interest rates presumed in the case of new borrowings.

Derivative transactions

Those items given special treatment as interest rate swaps are treated together with long-term loans payable that are subject to hedging, and therefore, their fair market values are presented together with fair market values of related long-term loans payable.

2. Financial instruments with fair market values deemed to be extremely difficult to ascertain

Classification	Consolidated Balance Sheet Amount
Shares of subsidiaries and associates	226 Million yen
Unlisted stock	15

The above items are not subject to fair market value disclosure since there are no market prices and it is deemed extremely difficult to ascertain their fair market values.

3. Scheduled redemption amounts after the consolidated closing date of monetary claims

	Within 1 Year
Cash and deposits	6,365 Million yen
Notes and accounts receivable - trade	8,434
Total	14,799

4. Scheduled repayment of long-term loans payable after the consolidated closing date

	Within 1 Year (Million yen)	Over 1 Year & Within 2 Years (Million yen)	Over 2 Years & Within 3 Years (Million yen)	Over 3 Years & Within 4 Years (Million yen)	Over 4 Years & Within 5 Years (Million yen)	Over 5 Years (Million yen)
Long-term loans payable	126	137	118	104	87	175

5. Notes Concerning Real Estate for Rent

Description is omitted due to the insignificance of the total amount of real estate for rent, etc.

6. Notes Concerning Per Share Information

Net assets per share amount 351.84 Yen

Net income per share 60.51 Yen

(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" is calculated assuming that the shares were split at the beginning of the fiscal year under review.

7. Significant Subsequent Events

Not applicable.

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Criteria and Methods of Valuation of Significant Securities

① Stock of affiliated companies

Stated at cost using the moving average method.

② Other securities

With fair market value

The fair market value method based on the market price on the closing date is used. (The full amount of valuation differences are included directly in net assets, and the cost of sales is calculated using the moving average method)

Without fair market value

Stated at cost using the moving average method.

(2) Depreciation Method for Non-current Assets

① Property, plant and equipment (excluding leased assets)

The declining balance method is used. However, for buildings (excluding attached facilities) that were acquired after April 1, 1998, as well as attached facilities and structures acquired after April 1, 2016, the straight-line method is used.

In addition, the service life of significant assets is as follows:

Buildings and structures 3~50 years

② Intangible assets (excluding leased assets)

The straight-line method is used.

In addition, software for in-house used is based on the estimated period of internal use (5 years).

③ Leased assets

Leased assets related to finance lease transactions without transfer of ownership are depreciated over the lease period by using the straight-line method, assuming that the residual value is zero.

(3) Reporting standards for allowances and provisions

① Allowance for doubtful accounts

In order to provide for losses due to bad debts, the estimated amount of uncollectable debts are recorded for general receivables based on actual bad debt ratios, and by individually reviewing the collectability for specific receivables including doubtful accounts receivable.

② Provision for bonuses

In order to provide for the payment of bonuses to employees, the burden amount in the current fiscal year (hereinafter, also the “fiscal year under review”) of the estimated amount of payment is recorded.

③ Provision for retirement benefits

In order to provide for the payment of employees' retirement benefits, they are recorded and based on the estimated amount of retirement benefit obligations and pension assets at the end of the fiscal year under review.

A. Period attribution method of estimated retirement benefit amount

For the calculation of retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review is based on a straight-line basis.

B. Method of processing expenses of actuarial differences

Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years for employees (9 years) at the time of recognition, and are allocated proportionately from the fiscal year following the respective fiscal year of recognition.

In addition, if pension assets that were recognized in the fiscal year under review exceeded the amount deducted from actuarial differences from the retirement benefit obligations, they are recorded as prepaid pension costs under investment and other assets.

(4) Hedge Accounting Method

① Hedge accounting method

For interest rate swaps, special treatment is applied when the necessary requirements for special treatment have been satisfied.

② Hedging instruments and hedged items

Hedging instruments	Interest rate swaps
Hedged items	Loans payable

③ Hedging policy

Interest rate swap transactions are conducted to avoid interest rate fluctuation risks of borrowings, and hedged items are identified on an individual contract basis.

④ Method of evaluating the effectiveness of hedging

For interest rate swaps, the evaluation of effectiveness is omitted since special treatment is applied.

(5) Other Significant Matters for the Preparation of Non-consolidated Financial Statements

① Accounting for defined (retirement) benefits

The method of accounting for unrecognized actuarial differences related to retirement benefits is different from those in these consolidated financial statements.

② Accounting for consumption tax

Consumption taxes are accounted for by the tax-exclusion method.

(6) Changes in Display Method

(Balance Sheet)

"Long-term loans receivable" of "Non-current assets", which was listed independently in the previous fiscal year, is included in "Other" in the fiscal year under review due to its lack of monetary importance.

(7) Additional Information

Due to the issuance of the "Declaration of a State of Emergency" (hereinafter, "Emergency Declaration") throughout Japan due to the spread of COVID-19, the temporary "standby" of dispatched staff as a result of certain business partners has had a limited impact on the Company. Even after the lifting of the Emergency Declaration, the Company assumes that it will be affected to a certain extent by the suspension of manufacturing line operations, etc., due to global logistics stagnation and declining demand. Accounting estimates for the fiscal year under review (recoverability of deferred tax assets, determination of indications of non-current asset impairment) are made based on forecast figures that take this assumption into account.

2. Notes to Balance Sheet

⑴ Assets Pledged as Collateral and Collateral for Debts

Assets pledged as collateral

Buildings and structures	919 Million yen
Land	1,534 Million yen
"Other" item of Intangible assets (Subleasing rights)	25 Million yen
Total	2,479 Million yen

(Note) Although the above assets have revolving mortgages related to bank transactions, there were no obligations related to collateral at the end of the fiscal year under review.

⑵ Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment	3,699 Million yen

⑶ Guarantee obligations

The Company provides debt guarantees for borrowings from financial institutions of the following affiliated company:

Nisso Nifty Co., Ltd.	750 Million yen

⑷ Electronically Recorded Monetary Claims

Electronically recorded monetary claims	120 Million yen

⑸ Monetary claims or monetary liabilities to affiliated companies

① Short-term monetary claims	46 Million yen
② Short-term monetary liabilities	33 Million yen

⑹ The Company has concluded overdraft and commitment line agreements with 4 banks for the purpose of efficient procurement of operating capital. The outstanding balance related to overdraft and loan commitments as of the end of the fiscal year under review, for these agreements are as follows:

Limits of account overdraft and total amount of commitments	5,200 Million yen
Outstanding borrowing balance	—
Balance	5,200 Million yen

3. Notes to Statement of Income

Transaction volume with affiliated companies

Sales transactions	455 Million yen
Transactions other than sales transactions	13 Million yen

4. Notes to Statement of Changes in Equity

Type and number of treasury shares at the end of the fiscal year under review

Common stock	390,853 Shares

5. Notes Concerning Tax Effect Accounting

Breakdown by main factors of occurrence of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for bonuses	233 Million yen
Accrued expenses	37 Million yen
Accrued enterprise tax	50 Million yen
Impairment loss	150 Million yen
Loss on valuation of shares of subsidiaries and associates	89 Million yen
Other	183 Million yen
Subtotal deferred tax assets	745 Million yen
Valuation allowance	(309) Million yen
Total deferred tax assets	435 Million yen
Deferred tax liabilities	
Prepaid pension cost	12 Million yen
Total deferred tax liabilities	12 Million yen
Net amount of deferred tax assets	422 Million yen

6. Notes Concerning Transactions with Related Parties

(1) Subsidiaries and Affiliated Companies

Type	Name of Company	Location	Capital stock or investments in capital (Million yen)	Business Contents	Voting rights ownership ratio (held)	Relationship with related parties	Transaction content	Transaction amount (Million yen)	Item	Balance at end of period (Million yen)
Subsidiary	Nisso Nifty Co., Ltd.	Yokohama, Kanagawa	450	Nursing care · welfare businesses	Owner-ship Direct 100%	Concurrent posting of officers	Debt guarantees (Note)	750	—	—

(Note) Debt guarantees were made for bank borrowings, and no guarantee commissions have been received.

(2) 役員及び個人主要株主等

Type	Name	Location	Capital stock or investments in capital (Million yen)	Occupation	Voting rights ownership ratio (held)	Relationship with related parties	Transaction content	Transaction amount (Million yen)	Item	Balance at end of period (Million yen)
Officer	Tadao Shimizu	—	—	Managing Director of the Company	(Held) Direct 6.6 %	—	Exercise of share acquisition rights (Note)	11	—	—

(Note) Exercise of share acquisition rights is the description of the exercise of rights during the fiscal year under review of stock options which were granted in accordance with the resolution of the Board of Directors on March 22, 2016. The transaction amount represented is the amount obtained by multiplying the granted shares due to the exercise of rights of stock options by the amount paid during the fiscal year under review.

7. Notes Concerning Per Share Information

Net assets per share amount	332.68 Yen
Net income per share	60.43 Yen

(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" is calculated assuming that the shares were split at the beginning of the fiscal year under review.

8. Significant Subsequent Events

Not applicable.