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(APPENDIX)

Business Report (April 1, 2019 to March 31, 2020)

1. Current Status of the Corporate Group

(1) Status of Business for the Current Consolidated Fiscal Year

① Progress and results of business

Although Japan's economy during the current consolidated fiscal year (hereinafter, the "fiscal year under review") weakened due to developments in the U.S.-China trade issues, trends in overseas economies such as the outlook for the Chinese economy, and fluctuations in financial and capital markets, with corporate profits remaining firm and the employment situation improving steadily, it showed a gradual recovery. However, due to the spread of the new coronavirus (hereafter, "COVID-19"), the economy has been significantly depressed in recent months, and the situation remains uncertain.

As for the business environment surrounding the Nisso Group (hereinafter, the "Group"), although the production of domestic manufacturers, who are NISSO CORPORATION's (hereinafter, the "Company") important clients, was affected by the consumption tax hike in some transportation machinery (mainly automobiles) companies, production trends remained firm. On the other hand, the electronic components · devices industries remained weak due to stagnant trends in product demand. In addition, although the employment situation has shown signs of improvement, the spread of COVID-19 is also affecting the external human resource utilization needs of the Company's clients.

In this environment, the Group has formulated a medium-term management plan for the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 under the founding philosophy of "Nurturing and Bringing Out the Best in People", and in order to achieve the mission of "Becoming the Leader in Absolute Evaluation in the Manufacturing-related Human Resources Business Field", the Company is striving to further evolve the NISSO Medium-term Growth Cycle, as well as expanding business performance and improving profitability.

In the fiscal year under review, with regards to the manufacturing-related human resources services business, which is the flagship of the General Human Resources Services Business, the Company has focused on assigning "skilled staff", who are indefinite-term employees with high retention rates, to "Account Companies", who are important clients, and enabling them to advance their skills, which has resulted in the enhancement of the provided services and the improvement of customer satisfaction. In addition, by actively utilizing its 9 training facilities located throughout Japan, the Company has put into practice education that contributes to the improvement of profits.

Meanwhile, in Other Businesses, although investment costs were incurred as a result of the opening of its 6th nursing care facility, "Sweetpea Higashi Totsuka", which was opened in Yokohama on March 1, 2018, in the fiscal year under review, the Company has strived to improve the quality of its nursing care services, to improve customer satisfaction, and to secure the number of its residents.

As a result, the results of operations for the fiscal year under review are as follows: net sales of 74,966 million yen (up 8.4% year-on-year), operating profit of 3,061 million yen (up 6.7% year-on-year), ordinary profit of 3,149 million year (up 8.8% year-on-year), and profit attributable to owners of parent amounted to 2,033 million yen (down 1.0% year-on-year).

(General 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 (Note) for its administrative human resources services.

In manufacturing-related human resources services, which is the core business of this business segment, in order to enhance the provided services, in the fiscal year under review, the Company has utilized its training facilities, and has nurtured and trained human resources who can be active in the fields of automobiles, electrical devices, precision and electrical machinery, etc. By putting into practice education that utilizes these training facilities, the number of enrolled staff increased by 728 compared to the end of the previous consolidated fiscal year, through increases in the manufacturing staff's motivation to work and improvements in retention rates.

On the other hand, despite an increase in sales with the increase in staff enrollment, there was an increase in revenue and a decrease in profits, since the increase in expenses such as training and employee recruiting expenses were not absorbed.

As a result, net sales amounted to 72,178 million yen (up 8.2% year-on-year), and operating profit was 3,117 million yen (down 0.1% year-on-year).

(Note) BPO (Business Process Outsourcing) refers to the outsourcing of operations and processes of specific business-related tasks to a [third-party] specialized company.

(Other Businesses)

The Company operates nursing care and welfare businesses as Other Businesses.

In the facilities nursing care business, which is the core business of this business segment, the number of residents of the nursing care facility, "Sweetpea Higashi Totsuka", increased during the fiscal year under review. In addition, by striving to improve profitability by reducing the cost of sales, such as personnel and operating expenses, including for existing facilities, operating losses were reduced.

As a result, net sales amounted to 2,796 million yen (up 12.5% year-on-year), and operating loss was 54 million yen (which was at a loss of 247 million yen in the previous fiscal year).

Net sales by Business Segment

Business Segment	39th Fiscal Year (FY 3/2019) (Previous Consolidated Fiscal Year)		40th Fiscal Year (FY 3/2020) (Fiscal Year under Review)		Year on Year Comparison	
	Amount (Million yen)	% of Total	Amount (Million yen)	% of Total	Amount (Million yen)	Increase (Decrease)
General Human Resources Services Business	66,684	96.4%	72,178	96.3%	5,493	8.2%
Other Businesses	2,485	3.6	2,796	3.7	310	12.5
Adjustments	(8)	(0.0)	(7)	(0.0)	0	-
Total	69,161	100.0	74,966	100.0	5,805	8.4

(Note) The adjustments are eliminations of inter-segment sales or transfers.

② Status of capital investments

During the fiscal year under review, the Group carried out capital investment totaling 285 million yen for property, plant and equipment, as well as for intangible assets such as software.

Major capital investments are as follows:

(General Human Resources Services Business)

Renovation of educational facilities 112 Million yen

(Okaya City, Nagano and 4 other facilities)

Renovation of core system 121 Million yen

③ Status of funds procurement

Not applicable.

④ Status of transfer of business, absorption-type company split or incorporation-type company split

Not applicable.

⑤ Acquisition/transfer of business from other companies

Not applicable.

⑥ Status of succession of rights and obligations concerning the business of other corporations through absorption-type merger or absorption-type company split

Not applicable.

⑦ Status of acquisition or disposition of shares and other interests or share acquisition rights of other companies

On January 6, 2020, the Company acquired 49% of the issued shares of Nikon Staff Service Corporation, a subsidiary of Nikon Corporation. In addition, the aforementioned company's name was changed to "Nikon Nisso Prime Corporation" on the same date.

(2) Trends in the Status of the Financial Position and Results of Operations

① Trends in the status of the financial position and results of operations of the Corporate Group

Classification	37th Fiscal Year (FY 3/2017)	38th Fiscal Year (FY 3/2018)	39th Fiscal Year (FY 3/2019)	40th Fiscal Year (Fiscal Year under Review) (FY 3/2020)
Net sales (Million yen)	53,533	59,208	69,161	74,966
Ordinary profit (Million yen)	833	1,781	2,895	3,149
Profit attributable to owners of parent (Million yen)	491	1,014	2,053	2,033
Net income per share (Yen)	18.52	37.89	61.58	60.51
Total assets (Million yen)	17,410	19,870	21,019	22,494
Net assets (Million yen)	4,601	9,317	10,544	11,895
Net assets per share (Yen)	173.52	280.95	314.20	351.84

(Note) 1. The Company's common stock was split at a ratio of 10 shares for 1 share on October 16, 2017, then at a ratio of 2 shares for 1 share on February 1, 2018, followed by a common stock split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019. "Net income per share" and "net assets per share" are calculated assuming that the shares were split at the beginning of the 37th Fiscal Year.

2. "Partial Revisions to 'Accounting Standards for Tax Effect Accounting'" (ASBJ [Accounting Standards Board of Japan] Statement No. 28, February 16, 2018) have been applied from the beginning of the 39th Fiscal Year. Amounts for the 38th Fiscal Year are shown after they have been reclassified.

② Trends in the status of the financial position and results of operations of the Company

Classification	37th Fiscal Year (FY 3/2017)	38th Fiscal Year (FY 3/2018)	39th Fiscal Year (FY 3/2019)	40th Fiscal Year (Fiscal Year under Review) (FY 3/2020)
Net sales (Million yen)	46,928	53,184	63,474	69,209
Ordinary profit (Million yen)	759	1,759	2,943	3,124
Profit (Million yen)	437	1,000	2,240	2,030
Net income per share (Yen)	16.49	37.36	67.18	60.43
Total assets (Million yen)	15,045	17,257	18,482	20,024
Net assets (Million yen)	3,681	8,380	9,852	11,247
Net assets per share (Yen)	138.84	252.69	293.58	332.68

(Note) 1. The Company's common stock was split at a ratio of 10 shares for 1 share on October 16, 2017, then at a ratio of 2 shares for 1 share on February 1, 2018, followed by a common stock split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019. "Net income per share" and "net assets per share" are calculated assuming that the shares were split at the beginning of the 37th Fiscal Year.

2. "Partial Revisions to 'Accounting Standards for Tax Effect Accounting'" (ASBJ [Accounting Standards Board of Japan] Statement No. 28, February 16, 2018) have been applied from the beginning of the 39th Fiscal Year. Amounts for the 38th Fiscal Year are shown after they have been reclassified.

(3) Status of Parent Company and Significant Subsidiaries

① Status of parent company

Not applicable.

② Status of significant subsidiaries

Company Name	Capital	Ratio of Voting Rights of the Company	Main Business Contents
Nisso Brain Co., Ltd.	50 Million yen	100.0%	General office work dispatching · BPO (Note)
Nisso Pure Co., Ltd.	40 Million yen	100.0%	The Company's special-purpose subsidiary to promote employment of persons with disabilities
Nisso Nifty Co., Ltd.	450 Million yen	100.0%	Nursing care · welfare businesses

(Note) BPO (Business Process Outsourcing) refers to the outsourcing of operations and processes of specific business-related tasks to a [third-party] specialized company.

(4) Issues to be Addressed

While the domestic manufacturing industry, which is comprised of by many major clients in the manufacturing-related human resources services, which is the Group's core business, has remained firm despite the effects of the global economy such as the U.S.-China trade frictions, it is expected that the needs in the manufacturing field will become more diversified, such as the decline of the workforce against the backdrop of the declining birthrate and aging population, the diversification of products, the response to technological evolution, and the adaptation to global compliance, including supply chains.

With regards to the Company's Other Businesses, although the demand for nursing care services is increasing against the backdrop of the declining birthrate and aging population, there has been an increase in competition, such as increases in housing with services for the elderly and fee-based senior-care nursing homes, and as a result, the quality of services is expected to decline due to a shortage of nursing care staff and a decline in retention.

Amid such a business environment, the Company has acknowledged the presence of the following issues in order to continuously and sustainably enhance the Group's corporate value and the significance of its existence.

In addition, with the recent spread of COVID-19, the business environment of the Group is expected to change significantly. The Group is strengthening measures to prevent the spread of COVID-19 and promoting its business activities with the safety of its clients and employees as its top priority.

(General Human Resources Business)

① Strengthening of recruiting capabilities and securing of human resources

As the workforce in Japan continues to decline, the Group is fully aware of the challenges of having to secure employment for employees. In response to the issue of securing such human resources, the Group has been conducting recruiting activities that effectively utilizes web media, such as its own recruitment site, "*Kojo Kyujin Navi*", and print media, including various recruitment publications. In addition, the Company is aiming to establish a system where various types of human resources, such as women, the elderly and foreigners can work in a wide variety of ways.

② Initiatives for human resources development

As the needs in the manufacturing field diversify, the Company recognizes that improving the motivation of employees and enhancing their skills are challenges. In order to enhance work motivation, the Group has established a personnel system that allows employees to convert from manufacturing work to more advanced work such as engineering, or to become "skilled staff", who are indefinite-term employees. In addition, the Company has increased educational opportunities by establishing educational structures and education programs for employees that actively utilize its training facilities in 9 locations nationwide, and will continue to strive to improve the value of its provision of services to clients while supporting the enhancement of the skills of individuals.

③ Improvement of profitability

The Group has acknowledged the challenges of having to curb worker turnover, to increase worker retention, and to reduce recruitment costs due to the loss of sales opportunities and incurrence of recruitment costs for replacement personnel as a result of employees leaving their workplaces. In response to these challenges, the Group has strengthened the management capabilities of site supervisors and has established educational structures for employees. The Group will aim for a stable earnings structure by enhancing the on-site management capabilities of site supervisors through their participation in periodic training courses, and strive to improve the working environments of its employees.

In addition to improving profitability, the Group recognizes that it is important to contribute to both society and the environment in order to maintain its sustainable growth as an enterprise. The Group considers contributing to society through its business as an issue of the highest importance, and based on its founding philosophy of "*Nurturing and Bringing Out the Best in People*", by continuing to taking on the challenges to contribute to the growth of the working people and the future of Japan, the Group will strive to enhance its corporate value.

(Other Businesses)

① Enhancement of service quality

The Group recognizes that it is a challenge to become a nursing care provider that customers can use with a piece of mind. By promoting the establishment of an installed educational structure for nursing care workers and the creation of a comfortable working environment, the Group aims to provide high-quality services based on the expertise it has cultivated thus far by improving the retention of staff and enhancing the capabilities of individuals.

② Improvement of profitability

Delays in occupancy plans at new facilities, which incur upfront costs, and lower facility occupancy rates due to a decrease in the number of residents at existing facilities will have a significant impact on the performance of the nursing care business. The Group is increasing the number of opportunities for contact with the families of potential residents of its facilities through the use of the Web and previews of the facilities. The Group will strive to increase the number of facility residents and nursing care service users by deepening its understanding of the residents, such as proposing services that are unique to each individual, as well as offering information and guidance of a pleasant lifestyle and various events after moving in. In addition, the Group will continue to make efforts to improve its management structure by promoting operational efficiency, and aim to strengthen its revenue base and expand its business with increased profitability.

(5) Main Business Contents (As of March 31, 2020)

The Group is comprised of by the Company, 3 consolidated subsidiaries and 2 affiliated companies accounted for by the equity method, and operates the "General Human Resources Services Business" and "Other Businesses". With regards to the "General Human Resources Services Business", the Group carries out manufacturing dispatching and contracting for its manufacturing related human resources service, and general office work dispatching and BPO (Note) for its administrative human resources service. In addition, with regards to "other businesses", the Group operates its nursing care and welfare businesses (facility and home nursing care).

Based on the founding philosophy of "*Nurturing and Bringing Out the Best in People*", the Group continues to aim to create workplaces where working people can work with a sense of satisfaction and grow, as well as providing services that will contribute to its growth as a business enterprise. Furthermore, the Group will continue to aim to improve the quality of the services that it offers, and will strive for the continued growth and prosperity of its businesses.

(Note) BPO (Business Process Outsourcing) refers to the outsourcing of operations and processes of specific business-related tasks to a (third-party) specialized company.

(General Human Resources Business)

① Manufacturing-related Human Resources Services (NISSO CORPORATION · Nisso Pure Co., Ltd.)

A Manufacturing dispatching

Manufacturing dispatching is a business conducted in accordance with the "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers" (hereinafter referred to as the "Worker Dispatch Law", or "Worker Dispatching Act"), and dispatching services are provided to manufacturers including automobiles, electronic components, precision equipment, and housing equipment.

Companies that engage in the dispatching business receive worker dispatching undertakings authorization from the Ministry of Health, Labour and Welfare. The Company concludes a worker dispatching contract with client companies (dispatch destination companies), in addition to concluding an employment contract with job-seekers, and then is able to dispatch workers to client companies. Workers who are dispatched to client companies engage in work under the instruction of the client (destination) company, who carry out the quality control and labor management of the workers. A significant feature of this type of dispatching contract is the fact that the employer of the dispatched worker (the Company), and the party that provides job-related instructions (client company), are different.

B Manufacturing contracting

With regards to manufacturing contracting, the Group provides services to manufacturers, including automobiles, electronic components, precision equipment, and housing equipment. Unlike manufacturing dispatching, manufacturing contracting is characterized by the fact that the contractor company (the Company) itself provides job-related instructions, and the Company itself must establish frameworks relating to production, quality control, labor management and workplace operations. In response to orders from the ordering party (client manufacturers), the Company conducts manufacturing, processing and inspections under its own management system, and delivers the finished products (deliverables) upon completion.

C Other

As for matters not included in the above, the Company's special-purpose subsidiary (Note) (Nisso Pure Co., Ltd.) engages in the light work contracting and sales of goods businesses.

(Note) Special-purpose subsidiary: Although the securing of employment opportunities for persons with disabilities (statutory employment ratio) is obligatory for each individual business proprietor (enterprises), if certain requirements are met, as a special case, the actual employment ratio can be assessed assuming that such persons are being employed by the subsidiary.

② Administrative Human Resources Services (Nisso Brain Co., Ltd.)

General office work dispatching, BPO

General office work dispatching is a business conducted in accordance with the Worker Dispatch Law, (or "Worker Dispatching Act"), and mainly provides dispatching services such as office work and reception-related duties.

Companies that engage in the dispatching business receive worker dispatching undertakings authorization. As in the aforementioned case with the Company's manufacturing dispatching business, Nisso Brain Co., Ltd., concludes a worker dispatching contract with client companies (dispatch destination companies) in addition to concluding an employment contract with job-seekers, and then is able to dispatch workers to client companies. Also as stated earlier, a significant feature of this type of dispatching contract is the fact that the employer of the dispatched worker (Nisso Brain Co., Ltd.), and the party that provides job-related instructions (client company), are different.

In addition, Nisso Brain Co., Ltd., in part administers BPO services and is entrusted with collective operations of its clients.

(Other Businesses) (Nisso Nifty Co., Ltd.)

The Group has established nursing care and welfare businesses such as facility nursing care (fee-based senior-care nursing home) and home nursing care, mainly in Yokohama, Kanagawa and Iwaki City, Fukushima.

① Facility nursing care

The Group operates 6 fee-based nursing homes in Yokohama, Kanagawa, and provides nursing care services to residents.

② Home nursing care

The Group has established 2 nursing care stations in Yokohama, Kanagawa, 2 in Iwaki City, Fukushima, as well as 2 day care nursing facilities also in Iwaki City, Fukushima.

(6) Significant Branch Offices and Factories (As of March 31, 2020)

① The Company

Headquarters	Kohoku-ku, Yokohama, Kanagawa	
Business Locations	Sapporo General Office (Sapporo City, Hokkaido)	Matsumoto General Office (Matsumoto City, Nagano)
	Hirosaki General Office (Hirosaki City, Aomori)	Hamamatsu General Office (Hamamatsu City, Shizuoka)
	Akita General Office (Daisen City, Akita)	Nagoya General Office (Nagoya City, Aichi)
	Sakata General Office (Sakata City, Yamagata)	Nagano General Office (Nagano City, Nagano)
	Kitakami General Office (Kitakami City, Iwate)	Kanazawa General Office (Kanazawa City, Ishikawa)
	Sendai General Office (Sendai City, Miyagi)	Toyama General Office (Toyama City, Toyama)
	Yonezawa General Office (Yonezawa City, Yamagata)	Shiga General Office (Omihachiman City, Shiga)
	Fukushima General Office (Koriyama City, Fukushima)	Osaka General Office (Osaka City, Osaka)
	Utsunomiya General Office (Utsunomiya City, Tochigi)	Okayama General Office (Okayama City, Okayama)
	Omiya General Office (Saitama City, Saitama)	Hiroshima General Office (Hiroshima City, Hiroshima)
	Takasaki General Office (Takasaki City, Gunma)	Shimane General Office (Izumo City, Shimane)
	Chiba General Office (Chiba City, Chiba)	Yamaguchi General Office (Yamaguchi City, Yamaguchi)
	Yokohama General Office (Yokohama, Kanagawa)	Fukuoka General Office (Fukuoka City, Fukuoka)
	Atsugi General Office (Atsugi City, Kanagawa)	Kanda General Office (Miyako District, Fukuoka)
	Hachioji General Office (Hachioji City, Tokyo)	

(Note) The names of Sales Offices, which are the Company's business locations, were changed to "General Offices" in April 2019.

② Subsidiaries

Company Name	Head Office Locations
Nisso Brain Co., Ltd.	Tsurumi-ku, Yokohama, Kanagawa
Nisso Pure Co., Ltd.	Kohoku-ku, Yokohama, Kanagawa
Nisso Nifty Co., Ltd.	Kohoku-ku, Yokohama, Kanagawa

(7) Status of Employees (As of March 31, 2020)

① Status of the Corporate Group

Name of Segment	Number of Employees	(PT Workers)
General Human Resources Services Business	1,391	(248)
Other Businesses	249	(51)
Total	1,640	(299)

- (Note) 1. The number of employees represents the number of persons in employment, and the average number of temporary employees (part-time workers) in the past year is shown in brackets ().
2. In addition, 14,380 indefinite-term employees · fixed-term contract employees (manufacturing staff, dispatched staff) have been employed on average in the past year.

② Status of the Company

# of Employees (PT Workers)	Average age	Average years of service	Average annual salary (Yen)
1,167 (237)	41.0	9.7	4,506,082

Name of Segment	Number of Employees	(PT Workers)
General Human Resources Services Business	1,167	(237)
Total	1,167	(237)

- (Note) 1. The number of employees represents the number of persons in employment, and the average number of temporary employees (part-time workers) in the past year is shown in brackets ().
2. Average annual salary includes bonuses and non-standard wages.
3. In addition, 13,584 indefinite-term employees · fixed-term contract employees (manufacturing staff) have been employed on average in the past year.

(8) Status of Major Lenders (As of March 31, 2020)

Name of Lender	Amount of Borrowings
The Bank of Yokohama, Ltd.	750 Million yen

(9) Other Important Matters Concerning the Current Status of the Corporate Group

Not applicable.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2020)

① Total number of authorized shares 102,400,000 Shares

(Note) By the resolution of the Board of Directors on March 15, 2019, the Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019, and in association, the amendment to the Articles of Incorporation were implemented, and the total number of authorized shares were increased by 51,200,000 shares.

② Total number of issued shares 34,201,200 Shares (of which 390,853 are treasury shares)

(Note) 1. By the resolution of the Board of Directors on March 15, 2019, the Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019. As a result, the total number of issued shares were increased by 16,982,200 shares.

2. As a result of the exercising of stock options during the current fiscal year, the total number of issued shares were increased by 240,000 shares.

③ Number of shareholders 5,542

④ Major shareholders

Name of Shareholder	Number of Shares	Shareholding Ratio
CW Holdings Co., Ltd.	6,912,000	20.44%
Shimizu Holdings Co., Ltd.	5,692,000	16.84%
Japan Trustee Services Bank, Ltd. (Trust Account)	3,312,500	9.80%
Tadao Shimizu	2,216,800	6.56%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,174,900	6.43%
Chikako Shimizu	974,000	2.88%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	861,600	2.55%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	486,700	1.44%
MSIP CLIENT SECURITIES	471,600	1.39%
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	397,526	1.18%

- (Note) 1. The shareholding ratio is calculated with the deduction of treasury shares (390,853 shares).
2. In the Changes Report of the Large Shareholding Report which was made available for public inspection on January 9, 2019, although it was stated that BlackRock Japan Co., Ltd. and its joint holders, BlackRock (Luxembourg) S.A. and BlackRock International Limited, held the following shares as of December 31, 2018, since the Company was unable to confirm the number of real held shares at the end of the fiscal year under review, the status of the major shareholders listed above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report is as follows:

Name or Company Name	Number of Share Certificates Held	Share Certificates Holding Ratio
BlackRock Japan Co., Ltd.	187,000	1.11%
BlackRock (Luxembourg) S.A.	444,800	2.65%
BlackRock International Limited	84,300	0.50%
Total	716,100	4.27%

3. In the Changes Report of the Large Shareholding Report which was made available for public inspection on March 19, 2020, although it was stated that Resona Bank, Limited and its joint holders held the following shares as of March 13, 2020, since the Company was unable to confirm the number of real held shares at the end of the fiscal year under review, the status of the major shareholders listed above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report is as follows:

Name or Company Name	Number of Share Certificates Held	Share Certificates Holding Ratio
Resona Asset Management Co., Ltd.	1,712,200	5.04%
Total	1,712,200	5.04%

⑤ Other significant matters concerning shares

The Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019.

In addition, pursuant to Article 184, paragraph 2 of the Companies Act, Article 6 of the Company's Articles of Incorporation was amended on May 1, 2019, the effective date of the stock split, and the total number of authorized shares increased by 51,200,000 shares, to 102,400,000 shares.

(2) Status of Share Acquisition Rights

- ① Status of share acquisition rights issued as consideration for the execution of duties held by the Company's Officers on the last day of the fiscal year under review

		5th Share Acquisition Rights	
Date of Resolution of Issuance		March 22, 2016	
Number of Share Acquisition Rights		35,580 units	
Type and Number of Shares Subject to Share Acquisition Rights		Common stock 2,846,400 shares (80 shares per 1 share acquisition right)	
Payment Amount of Share Acquisition Rights		Payment is not required in exchange for share acquisition rights	
Value of Assets to be Contributed for Exercise of Share Acquisition Rights		Per share acquisition right 4,240 yen (Per share 53 yen)	
Exercise Period for Share Acquisition Rights		March 23, 2018 to March 22, 2023	
Conditions for Exercise		(Note) 1	
Holding Status of Officers	Managing Directors (excluding External Managing Directors)	Number of share acquisition rights	1,490 units
		Number of subjected shares	119,200 shares
		Number of holders	1
	External Managing Directors	Number of share acquisition rights	- units
		Number of subjected shares	- shares
		Number of holders	-
	Audit & Supervisory Board Members	Number of share acquisition rights	- units
		Number of subjected shares	- shares
		Number of holders	-

- (Note) 1. Those who have been granted an allotment of share acquisition rights, are required to hold the position of Managing Director, Audit & Supervisory Board Member, Corporate Advisor, contract employee or regular employee of the Company or its subsidiaries at the time the rights are exercised. Provided, however, the condition shall not apply in cases of exiting the position due to expiry of tenure or mandatory age-limit retirement.
2. By the resolution of the Board of Directors on September 15, 2017, on January 15, 2018, on August 6, 2018, and on March 15, 2019, the Company's common stock was split at a ratio of 10 shares for 1 share on October 16, 2017, then at a ratio of 2 shares for 1 share on February 1, 2018, followed by a common stock split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019, respectively. As a result, "type and number of shares subject to share acquisition rights" and "value of assets to be contributed for exercise of share acquisition rights" have been adjusted.

- ② Status of share acquisition rights issued to employees as consideration for execution of duties during the fiscal year under review
Not applicable.

(3) Status of Corporate Officers

① Status of Managing Directors and Audit & Supervisory Board Members (As of March 31, 2020)

Position in the Company	Name	Status of Responsibilities and Significant Concurrent Positions
Chairman, President, CEO & Representative Director	Ryuichi Shimizu	Nisso Nifty Co., Ltd. Managing Director Shimizu Holdings Co., Ltd. Managing Director Japan Production Skill Labor Association Vice Chairman CW Holdings Co., Ltd. Representative Director
Managing Director	Shinichi Matsuo	Nisso Pure Co., Ltd. Managing Director Nikon Nisso Prime Corporation Managing Director Nisso Brain Co., Ltd. Managing Director
Managing Director	Tadao Shimizu	Shimizu Holdings Co., Ltd. President & Representative Director Social Welfare Corporation, Modern Elderly Social Welfare Association Chairman
Managing Director	Takuo Yabana	
Managing Director	Shigeru Horisawa	Kannai General Law Office Representative Director Social Welfare Corporation, Shirayurikai Third-Party Committee Member Social Welfare Corporation, Tsurumi Infant Welfare Center Director
Managing Director	Shin Monzawa	Monzawa Certified Public Accountant Office Representative Director General Incorporated Association, Toranomokai Director PLUTUS Management Advisory Co., Ltd. President & Representative Director Midas Entertainment Inc. Outside Auditor
Full-time Audit & Supervisory Board Member	Toshiyasu Udagawa	
Audit & Supervisory Board Member	Akira Ishida	KAWATA MFG CO., Ltd. Director (Audit and Supervisory Committee Member)
Audit & Supervisory Board Member	Ryuta Hasegawa	

- (Note) 1. Managing Directors Shigeru Horisawa and Shin Monzawa are External Managing Directors.
2. Audit & Supervisory Board Members Akira Ishida and Ryuta Hasegawa are External Audit & Supervisory Board Members.
3. The Company has designated and reported External Managing Directors Shigeru Horisawa and Shin Monzawa, in addition to External Audit & Supervisory Board Members Akira Ishida and Ryuta Hasegawa as Independent Officers pursuant to the provisions of the Tokyo Stock Exchange.
4. Managing Director Shin Monzawa, and Audit & Supervisory Board Members Akira Ishida and Ryuta Hasegawa, each have a considerable amount of knowledge regarding finance and accounting as follows:
- Managing Director Shin Monzawa has received qualification as a certified public accountant.
 - Audit & Supervisory Board Members Akira Ishida and Ryuta Hasegawa each have extensive experience and wide-ranging knowledge in financial institutions

5. Changes in the positions of Managing Directors during the fiscal year under review are as follows:

Name	Before change	After change	Date of Change
Ryuichi Shimizu	President, COO & Representative Director	Chairman & Representative Director	April 1, 2019
	Chairman & Representative Director	Chairman, President, CEO & Representative Director	February 6, 2020
Takuo Yabana	Executive Vice President & Representative Director	President, CEO & Representative Director	April 1, 2019
	President, CEO & Representative Director	Managing Director	February 6, 2020
Tadao Shimizu	Chairman, CEO & Representative Director	Managing Director	April 1, 2019

② Managing Directors exiting office during the fiscal year
Not applicable.

③ Outline of contents of Agreement for Limitation of Liability

Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with each Managing Director (excluding Managing Directors responsible for the execution of business, etc.) and each Audit & Supervisory Board Member to limit their liability for damages under Article 423, paragraph 1, of the Companies Act.

The maximum of liability for damages under this agreement is the minimum liability amount as stipulated by the law.

④ Remuneration of Managing Directors and Audit & Supervisory Board Members

Total amount of remuneration for the fiscal year under review

Classification	Number of Members	Amount of Remuneration
Managing Directors (External Managing Directors)	6 (2)	243 Million yen (10 Million yen)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	3 (2)	29 Million yen (13 Million yen)
Total (External Officers)	9 (4)	273 Million yen (24 Million yen)

- (Note) 1. The amount of remuneration for Managing Directors does not include the portion of salaries for Managing Directors concurrently serving as employees.
2. The total amount of remuneration, etc., for the Managing Directors above includes the amount recorded as expenses for performance-linked remuneration and restricted share remuneration for the fiscal year under review.
3. Pursuant to the resolution at the 39th Ordinary General Meeting of Shareholders, the remuneration limit for Managing Directors was set to consist of basic remuneration within the limit of 300 million yen per year (of which the amount for External Managing Directors to be within the limit of 30 million yen per year), and performance-linked remuneration linked to company-wide consolidated performance in a single fiscal year as short-term incentive remuneration within the limit of 300 million yen per year (excluding External Managing Directors). In addition, separately from the annual remuneration above, pursuant to the resolution at the same Ordinary General Meeting of Shareholders, Managing Directors (excluding External Managing Directors) will be receiving restricted share remuneration within the limit of 50 million yen per year as medium- to long-term incentive remuneration.
Furthermore, each remuneration amount above do not include the portion of salaries for Managing Directors concurrently serving as employees.
4. Pursuant to the resolution at the 26th Ordinary General Meeting of Shareholders held on June 28, 2006, the remuneration limit for Audit & Supervisory Board Members was set to be within 60 million yen per year, including stock option remuneration.

⑤ Matters Concerning External Officers

- A. Status of concurrent duties with other corporations and relationship between the Company and other such corporations
- Managing Director Shigeru Horisawa is the Representative Director of the Kannai General Law Office, a Third-Party Committee Member of the Social Welfare Corporation, Shirayurikai, and a Director of the Social Welfare Corporation, Tsurumi Infant Welfare Center. There are no special relationships between the Company and the organizations at which he holds concurrent positions.
 - Managing Director Shin Monzawa is the Representative Director of the Monzawa Certified Public Accountant Office, a Director of the General Incorporated Association, Toranomonkai, the President & Representative Director of PLUTUS Management Advisory Co., Ltd., and an Outside Auditor of Midas Entertainment Inc. There are no special relationships between the Company and the organizations at which he holds concurrent positions.
 - Audit & Supervisory Board Member Akira Ishida is a Director (Audit and Supervisory Committee Member) of KAWATA MFG CO., LTD. There is no special relationship between the Company and the organization at which he holds a concurrent position.
- B. Familial relationships with executors of business of the Company or specified related businesses, or with non-business Executing Officers
Not applicable.
- C. Main activities during the fiscal year under review

		Status of Attendance and Comments
Managing Director	Shigeru Horisawa	He has attended 18 out of the 19 Board of Directors' Meetings that were held during the fiscal year under review. He has extensive experience and expertise as an attorney, and has provided appropriate comments mainly from a compliance perspective during these meetings.
Managing Director	Shin Monzawa	He has attended all 19 of the Board of Directors' Meetings that were held during the fiscal year under review. He has rich experience and expert knowledge as a certified public accountant, and has provided appropriate comments mainly from a finance and accounting perspective during these meetings.
Audit & Supervisory Board Member	Akira Ishida	He has attended 18 out of the 19 Board of Directors' Meetings, in addition to attending all 13 of the Audit and Supervisory Board Meetings that were held during the fiscal year under review. During these meetings which he has attended, he has provided appropriate comments based on his vast experience as a management executive of other companies.
Audit & Supervisory Board Member	Ryuta Hasegawa	He has attended 18 out of the 19 Board of Director's Meetings, in addition to attending 12 out of the 13 Audit and Supervisory Board Meetings that were held during the fiscal year under review. During these meetings which he has attended, he has provided appropriate comments based on his abundant experience in financial institutions.

(4) Status of Accounting Auditor

① Name Ernst & Young ShinNihon LLC

② Amount of remuneration

	Amount of Remuneration
Amount of remuneration for Accounting Auditor for the fiscal year under review	35 Million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	35 Million yen

- (Note) 1. The amounts of remuneration for audit services pursuant to the Companies Act and for audit services pursuant to the Financial Instruments and Exchange Act have not been clearly distinguished in the audit contract concluded between the Company and the Accounting Auditor, and since they cannot be substantially distinguished from each other, the sum total of these amounts have been represented in the amount of remuneration for the Accounting Auditor for the fiscal year under review.
2. After conducting necessary verification as to whether or not the contents of the Accounting Auditor's audit plan, the status of the performance of duties of accounting audits and the basis for calculating remuneration estimates are appropriate, the decision of consent regarding the amount of remuneration for the Accounting Auditor has been made by the Audit and Supervisory Board.

③ Contents of non-audit services
Not applicable.

④ Policy for determining dismissal or non-reappointment of Accounting Auditor
In the event that the Audit and Supervisory Board deems it necessary, such as when there is a hindrance to the execution of duties of the Accounting Auditor, the contents of the proposal concerning the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders shall be determined.
In addition, in the event that the Accounting Auditor is deemed to fall under the items stipulated in Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Board shall dismiss the Accounting Auditor based on the consent of all the Board Members. In such a case, the Audit & Supervisory Board Members selected by the Audit and Supervisory Board shall report on the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders to be convened after the dismissal.

⑤ Outline of contents of Agreement for the Limitation of Liability
Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with the Accounting Auditor to limit their liability for damages under Article 423, paragraph 1, of the Companies Act. The maximum of liability for damages under this agreement is the minimum liability amount set forth in by Article 425, paragraph 1 of the Companies Act. Furthermore, such an agreement for the limitation of liability is applicable only when the Accounting Auditor, in good faith and without gross negligence, executes their duties which caused the liabilities.

⑥ Suspension of Business Order received by Accounting Auditor at present
Not applicable.

⑦ Suspension of Business Order received by Accounting Auditor in the last 2 years
Not applicable.

3. Status of Systems to Ensure Appropriate Business Operations and Their Operational Status

(1) System to Ensure Appropriate Business Operations

At the Company, the Board of Directors will continue to resolve the following improvements to systems to ensure appropriate business operations of the Company and its subsidiaries (hereinafter referred to as "the Group").

1. System to ensure that the execution of duties by the Group's Managing Directors is in accordance with laws, regulations and the Articles of Incorporation

① In order to carry out sound and sincere business activities with compliance as well as high moral values, the Company has established the "NISSO Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "NISSO Group Employee Code of Conduct". In addition, the Managing Directors have taken the initiative to implement these measures, and the Company shall continue to strive to ensure the thorough awareness of the measures by employees by posting them on the in-house intra-system.

② In order to ensure the thorough compliance of laws and ordinances, corporate ethics and internal regulations, the Company has established "Compliance Regulations", and has set up a "Corporate Value Enhancement Committee" chaired by the President to promote sound and sincere business activities.

③ Managing Directors who discover any material violation of laws or ordinances or any other material facts concerning compliance, shall report such matters to the Board of Directors.

④ The Group has taken a resolute stance against unreasonable demands from anti-social forces, and has established concrete action guidelines which demonstrate that it has no relationships whatsoever with them. The Group shall continue to ensure the thorough awareness of such matters to Managing Directors and employees in order to eliminate any relationships with these forces.

⑤ In order to preserve corporate assets and improve management efficiency, the Company has established "Internal Audit Regulations", and has set up an independent Internal Auditing Division. The Group shall continue the auditing of its entire operations in regards to its compliance with laws and ordinances and the status of the execution of its business operations.

2. System concerning storage and control of information related to the execution of duties of Managing Directors

① The Company has established "Document Control Regulations" for documents such as the minutes of the Board of Directors' Meetings and documents pertaining to other significant decisions as prescribed by laws and ordinances, in addition to properly storing and managing such documents after clarifying management responsibilities. Also, the Company shall continue to maintain a system which allows for the viewing of such documents as necessary.

② The Company has established "Information Management Regulations" for confidential information, and shall continue to ensure security.

3. Regulations and other systems concerning the management of risk of loss

①The Company has established "Risk Management Regulations" for risks affecting business objectives (hereinafter referred to as "risks"), and in order to maintain a system that can adequately respond to such risks, it has set up a "Corporate Value Enhancement Committee" (hereinafter referred to as the "Committee") which each company in the Group takes part in. The Committee, in principle, shall convene once a quarter and on other occasions as necessary.

②Based on the "Risk Management Regulations", the Committee identifies, analyzes and evaluates concrete risks, and has established a policy to correspond to such matters. In addition, in the event where an emergency response is needed as the Committee monitors the status of risk management, it shall convene an emergency committee to take the necessary measures.

③The Committee shall report on any matters concerning risks to the Board of Directors on a regular basis.

④Each Division Director of the Group shall be responsible for risk management within their respective divisions, and must promptly report to the Committee Secretariat in the event that an emergency situation requiring reporting on risks arises. In addition, they are required to administer appropriate procedures, such as incorporating countermeasures in their business plans to respond to significant risks identified within their division of responsibility, as well as other individual risk-related matters.

⑤Each Division Director of the Group, after sharing information with relevant divisions, shall clarify response systems, and must take appropriate measures regarding risks that may affect multiple divisions, as well as other significant risks that may be actualized.

⑥In order to respond promptly and accurately to the actualization of risks that may affect its business objectives, the Group has established response systems, procedures, and regulations in advance, and shall maintain and strive to improve the structure of reporting systems in the event of a crisis, as well as processes capable of responding quickly and appropriately.

⑦The Group shall formulate a business continuity plan and strive to develop a system that can promptly carry out business continuity after the occurrence of a disaster.

4. System to ensure the efficient execution of duties by Managing Directors

①The Group has established "Regulations of the Board of Directors", and shall clarify the governance of the Board of Directors and matters to be discussed.

②To ensure the smooth and efficient operation of duties of Managing Directors and employees, the Board of Directors has established "Organization · Division of Duties Regulations" and "Regulations of Administrative Authority", and shall determine matters regarding the segregation of duties of each division, as well as the fundamental roles, duties and authorities of each position.

5. System to ensure that the execution of duties by employees is in accordance with laws, regulations and the Articles of Incorporation

①In order to carry out sound and sincere business activities with compliance as well as high moral values, the Company has established the "NISSO Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "NISSO Group Employee Code of Conduct". In addition, the Managing Directors have taken the initiative to implement these measures, and the Company shall continue to strive to ensure the thorough awareness of the measures by employees by posting them on the in-house intra-system.

②In order to ensure the thorough compliance of laws and ordinances, corporate ethics and internal regulations, the Company has established "Compliance Regulations", and has set up a "Corporate Value Enhancement Committee" chaired by the President to promote sound and sincere business activities.

③The Group has established "Whistleblower Protection Regulations", and shall institute a system for the early detection of violations of laws and regulations with regards to the Group, as well as ensuring that the informant is not subjected to any disadvantages.

④The Group has taken a resolute stance against unreasonable demands from anti-social forces, and has established concrete action guidelines which demonstrate that it has no relationships whatsoever with them. The Group shall continue to ensure the thorough awareness of such matters to Managing Directors and employees in order to eliminate any relationships with these forces.

⑤In order to preserve corporate assets and improve management efficiency, the Company has established "Internal Audit Regulations", and has set up an independent Internal Auditing Division. The Group shall continue the auditing of its entire operations in regards to its compliance with laws and ordinances and the status of the execution of its business operations.

6. System to ensure appropriate business operations in the Corporate Group consisting of the Company and its subsidiaries

①In order to promote the fair business activities of the Group, the Company has established the Group-wide "NISSO Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "NISSO Group Employee Code of Conduct". Furthermore, each company in the Group shall continue to strive to ensure the thorough awareness of these matters by Managing Directors and employees.

②In order to strengthen the management of the Group, the Company has established "Affiliated Companies Management Regulations". In addition to requiring the reporting of significant matters concerning the business operations of subsidiaries, the Company shall refer matters of particular importance to the Board of Directors.

③The Company's Internal Auditing Division shall conduct audits of each company in the Group on a regular basis and when deemed necessary. Furthermore, the Internal Auditing Division shall cooperate with Audit & Supervisory Board Members and the Accounting Auditor to strive to ensure the proper business operations of the Group through audits.

7. Matters concerning employees and their appointment to assist in the fulfillment of duties of Audit & Supervisory Board Members when requested

The Company shall immediately appoint employees to assist in the fulfillment of the duties of Audit & Supervisory Board Members when requested to do so.

8. Matters concerning the independency of employees in the preceding item from Managing Directors

①The Company shall have employees assisting in the fulfillment of the duties of Audit & Supervisory Board Members execute their duties under the direction of the Audit & Supervisory Board Members whom they are assisting.

②The Company shall consult with Audit & Supervisory Board Members in advance about the decision of matters concerning personnel affairs of employees assisting in the fulfillment of the duties of Audit & Supervisory Board Members.

9. System for Managing Directors and employees to submit reports to Audit & Supervisory Board Members and other systems related to submitting reports to Audit & Supervisory Board Members

①The Company shall request the attendance of Audit & Supervisory Board Members for the "Board of Directors' Meetings", the "Corporate Value Enhancement Committee Meetings", and other meetings of importance.

②The Company's Representative Director (Chairman & President) and the Internal Auditing Division shall maintain cooperation with the Audit & Supervisory Board Members and exchange information on a regular basis.

③Managing Directors and employees of the Group shall respond to requests in the event they are asked by the Audit & Supervisory Board Members to submit reports on important information.

④The Company shall ensure that persons who submit reports to Audit & Supervisory Board Members do not receive disadvantageous treatment due to reasons for submitting the report.

10. Other systems to ensure the effective implementation of audits by Audit & Supervisory Board Members

①The Company shall request the attendance of Audit & Supervisory Board Members for the "Board of Directors' Meetings", the "Corporate Value Enhancement Committee Meetings", and other meetings of importance.

②In response to the request of Audit & Supervisory Board Members, the Company shall establish a system that allows for the viewing of important documents such as minutes of meetings.

③The Company shall formulate a budget after confirming with Audit & Supervisory Board Members about the expenses required to perform their duties, in addition to establishing a system for the prepayment or reimbursement of expenses incurred when executing their duties.

(2) Outline of the Operational Status of Systems to Ensure Appropriate Business Operations

The outline of the operational status of systems to ensure appropriate business operations is as follows:

1. Compliance System

①The Company has established the "NISSO Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "NISSO Group Employee Code of Conduct", which are indicative of the fundamental concepts of a company that carries out sound and sincere business activities. Furthermore, the Company has distributed pocket leaflets, the "*NISSO Michishirube*" (literal meaning: "NISSO Guidelines") containing the aforementioned Charter and Code, to officers and employees of the Company and its subsidiaries, in order to ensure their thorough compliance of laws, regulations and ethical behavior.

②In order to share the commitment to and ensure the awareness of compliance, which is fundamental to corporate management, the Company, officers, and employees shall uphold and thoroughly comply with the "Ethics Policy", which consists of the following, to further promote compliance management: ethical compliance with laws and regulations, elimination of improper benefits, information disclosure and transparency, protection of intellectual property, fair · transparent · free competition and business transactions, and protection of identities and elimination of retaliation.

③The Company has developed an educational system on compliance based on its "Compliance Regulations", and has conducted regular training on such matters to officers and employees.

④In order to detect violations of laws and regulations at an early stage, the Company and its subsidiaries have established "Whistleblower Protection Regulations", and have set up the "NISSO Group Internal Reporting Counter" as an external contact point. Moreover, in addition to prohibiting the disadvantageous treatment of informants, the Company has developed and continues to operate a system to investigate and administer corrective and recurrence prevention measures in the event of any such submission of reports.

2. Risk Management System

①The Company has established "Risk Management Regulations", and has convened the "Corporate Value Enhancement Committee Meetings" 4 times during the fiscal year under review, where Managing Directors, Audit & Supervisory Board Members, Division Directors and Representative Directors of subsidiaries have all participated. Furthermore, in addition to establishing a risk map, the Company has implemented the identification, analysis and evaluation of risks that affect its business, and has developed and continues to operate a system to appropriately respond to any such risks.

②The Company has developed an educational system on risks based on its "Risk Management Regulations", and has conducted regular training on such matters to officers and employees.

③The Internal Auditing Division has conducted internal audits of the Company and its subsidiaries based on "Internal Audit Regulations" and "Affiliated Companies Management Regulations", and reports have been made to the President of the Company and the presidents of its subsidiaries through the submissions of internal audit reports.

3. The Group's Management Control System

①In the "Regulations of the Board of Directors", it has been stipulated that resolutions on significant matters regarding the management of subsidiaries are to be administered by the Company's Board of Directors, and that resolutions based on these regulations are properly carried out.

②"Group Meetings" are convened once a month to conduct the reporting and discussion of business results and other significant matters concerning business operations, and strive to strengthen the administration of the Group. They were held 12 times during the fiscal year under review.

4. Regarding the Managing Directors' Execution of Duties

Regular meetings of the Board of Directors, comprised of 6 Managing Directors, including 2 External Managing Directors, were convened 12 times, and 7 extraordinary meetings were convened during the fiscal year under review. At the Board of Directors' Meetings, which were convened a total of 19 times, the reporting of business results and the approval of significant matters concerning business operations were conducted.

5. Regarding the Audit & Supervisory Board Members' Execution of Duties

①The Audit and Supervisory Board is comprised of 3 Audit & Supervisory Board Members, including 2 External Audit & Supervisory Board Members, and has developed and continues to operate a system to ensure that audits are effectively conducted.

②The Audit & Supervisory Board Members have attended the "Board of Directors' Meetings", the "Group Meetings", and the "Corporate Value Enhancement Committee Meetings". In addition to expressing their opinions when necessary, they audit the status of the Managing Directors' execution of duties. Furthermore, the Audit & Supervisory Board Members regularly meet with the Representative Director (Chairman & President) and conduct the exchange of opinions on various matters. Moreover, they work in close cooperation with the Internal Auditing Division and the Accounting Auditor to improve the effectiveness and efficiency of their audits.

③Audit and Supervisory Board Meetings were convened 13 times during the fiscal year under review.

4. Basic Policy on the Control of the Company

Not applicable.

5. Policy Concerning the Determination of Dividends of Surplus

The Company considers the redistribution of profits to shareholders and the enhancement of corporate values as key management issues, taking into consideration the balance between securing funds for growth investments and strengthening the corporate structure that can respond to changes in the business environment. In addition, by setting the consolidated dividend payout ratio of 30% as a general standard, the Company's basic policy is to continue to steadily redistribute profits to all of its shareholders.

Furthermore, although the Company considers the year-end dividends as a general principle, the Articles of Incorporation stipulate that it is possible to distribute dividends of surplus twice a year as interim dividends and year-end dividends in order to enhance the redistribution of profits to shareholders. As the decision-making body, the Board of Directors is determined to make it possible to flexibly carry out the payment of interim dividends while taking into consideration performance trends and other factors.

Consolidated Balance Sheet

(As of March 31, 2020)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	15,622	Current liabilities	9,279
Cash and deposits	6,365	Current portion of long-term loans payable	126
Notes and accounts receivable - trade	8,434	Lease obligations	78
Prepaid expenses	562	Accrued expenses	4,648
Other	264	Income taxes payable	812
Allowance for doubtful accounts	(4)	Accrued consumption taxes	1,904
Non-current assets	6,871	Provision for bonuses	879
Property, plant and equipment	4,754	Other	829
Buildings and structures	1,852	Non-current liabilities	1,319
Land	2,738	Long-term loans payable	623
Other	164	Lease obligations	68
Intangible assets	377	Net defined benefit liability	303
Leased assets	121	Other	324
Other	255	Total liabilities	10,598
Investments and other assets	1,739	(Net assets)	
Investment securities	241	Shareholders' equity	11,974
Lease and guarantee deposits	658	Capital stock	2,012
Deferred tax assets	474	Capital surplus	2,369
Other	365	Retained earnings	7,926
Allowance for doubtful accounts	(0)	Treasury shares	(334)
		Accumulated other comprehensive income	(78)
		Foreign currency translation adjustment	1
		Remeasurements of defined benefit plans	(79)
		Total net assets	11,895
Total assets	22,494	Total liabilities and net assets	22,494

Consolidated Statement of Income

(April 1, 2019 to
March 31, 2020)

(Unit: Million yen)

Item	Amount	
Net sales		74,966
Cost of sales		61,850
Gross profit		13,115
Selling, general and administrative expenses		10,054
Operating profit		3,061
Non-operating income		
Interest income	3	
Dividend income	3	
Share of profit of entities accounted for using equity method	34	
Subsidy income	53	
House rent income	35	
Other	30	160
Non-operating expenses		
Interest expenses	14	
Rent expenses	22	
Other	34	71
Ordinary profit		3,149
Extraordinary income		
Gain on sales of investment securities	121	121
Extraordinary losses		
Loss on sales of investment securities	3	
Impairment loss	152	155
Profit before income taxes		3,115
Income taxes - current	1,144	
Income taxes - deferred	(61)	1,082
Profit		2,033
Profit attributable to non-controlling interests		-
Profit attributable to owners of parent		2,033

Consolidated Statement of Changes in Equity

(April 1, 2019 to
March 31, 2020)

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,006	2,357	6,514	(342)	10,535
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	6	6			12
Dividends of surplus			(620)		(620)
Profit attributable to owners of parent			2,033		2,033
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		6		8	14
Net changes of items other than shareholders' equity					-
Total changes of items during period	6	12	1,412	7	1,439
Balance at end of current period	2,012	2,369	7,926	(334)	11,974

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	41	1	(32)	9	10,544
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					12
Dividends of surplus					(620)
Profit attributable to owners of parent					2,033
Purchase of treasury shares					(0)
Disposal of treasury shares					14
Net changes of items other than shareholders' equity	(41)	(0)	(47)	(88)	(88)
Total changes of items during period	(41)	(0)	(47)	(88)	1,350
Balance at end of current period	-	1	(79)	(78)	11,895

Balance Sheet

(As of March 31, 2020)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	14,078	Current liabilities	8,476
Cash and deposits	5,841	Lease obligations	78
Notes and accounts receivable - trade	7,660	Accrued expenses	4,427
Prepaid expenses	491	Income taxes payable	788
Other	87	Accrued consumption taxes	1,840
Allowance for doubtful accounts	(2)	Provision for bonuses	762
		Other	578
Non-current assets	5,946	Non-current liabilities	299
Property, plant and equipment	4,549	Lease obligations	68
Buildings and structures	1,745	Provision for retirement benefits	223
Land	2,643	Other	8
Other	160	Total liabilities	8,776
Intangible assets	334	(Net assets)	
Leased assets	121	Shareholders' equity	11,247
Other	212	Capital stock	2,012
Investments and other assets	1,061	Capital surplus	2,369
Investment securities	15	Legal capital surplus	2,363
Shares of subsidiaries and associates	476	Other capital surplus	6
Lease and guarantee deposits	63	Retained earnings	7,200
Prepaid pension cost	41	Legal retained earnings	40
Deferred tax assets	422	Other retained earnings	7,160
Other	41	General reserve	2,800
Allowance for doubtful accounts	(0)	Retained earnings brought forward	4,360
		Treasury shares	(334)
Total assets	20,024	Total net assets	11,247
		Total liabilities and net assets	20,024

Statement of Income

(April 1, 2019 to
March 31, 2020)

(Unit: Million yen)

Item	Amount	
Net sales		69,209
Cost of sales		56,716
Gross profit		12,492
Selling, general and administrative expenses		9,373
Operating profit		3,119
Non-operating income		
Interest income	0	
Dividend income	3	
Subsidy income	8	
House rent income	48	
Other	18	78
Non-operating expenses		
Interest expenses	1	
Rent expenses	43	
Other	29	73
Ordinary profit		3,124
Extraordinary income		
Gain on sales of investment securities	121	121
Extraordinary losses		
Loss on sales of investment securities	3	
Impairment loss	152	155
Profit before income taxes		3,090
Income taxes - current	1,120	
Income taxes - deferred	(60)	1,059
Profit		2,030

Statement of Changes in Equity

(April 1, 2019 to
March 31, 2020)

(Unit: Million yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total other capital surplus		Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	2,006	2,357	-	2,357	40	2,800	2,950	5,790	(342)	9,811
Changes of items during period										
Issuance of new shares - exercise of share acquisition rights	6	6		6						12
Dividends of surplus							(620)	(620)		(620)
Profit							2,030	2,030		2,030
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			6	6					8	14
Net changes of items other than shareholders' equity										-
Total changes of items during period	6	6	6	12	-	-	1,409	1,409	7	1,436
Balance at end of current period	2,012	2,363	6	2,369	40	2,800	4,360	7,200	(334)	11,247

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	41	41	9,852
Changes of items during period			
Issuance of new shares - exercise of share acquisition rights			12
Dividends of surplus			(620)
Profit			2,030
Purchase of treasury shares			(0)
Disposal of treasury shares			14
Net changes of items other than shareholders' equity	(41)	(41)	(41)
Total changes of items during period	(41)	(41)	1,394
Balance at end of current period	-	-	11,247

