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(APPENDIX)

Business Report  
( April 1, 2017 to  
March 31, 2018 )

**1. Current Status of the Corporate Group**

**(1) Status of Business for the Consolidated Fiscal Year under Review**

① Progress and results of business

Japan's economy during the consolidated fiscal year under review (April 1, 2017 - March 31, 2018) has continued improvement in the employment and income environments due to economic measures under the current administration and the effects of the monetary policy by the Bank of Japan, and has been on a gradual recovery trend.

Also, in the world economy, despite uncertainties due to geopolitical risks and US protectionist policies, gradual economic recovery has continued due to improvements in the employment and income environments in Europe, the US and China.

With regard to the environment surrounding the Nisso Group (hereinafter "the Group"), in the midst of the accelerated declining birthrate and aging population, along with the decrease in the work force due to mass retirement of the baby boomer generation, there were also influences such as the promotion of work-style reforms by the current administration. Also, the effective opening-to-application ratio of jobs has remained at a high level in many industries, and the labor shortage has continued.

In addition, due to the revisions of the Labor Contract Act and the Worker Dispatch Law, the so-called 2018 Issue has become imminent, and major manufacturers, who are the Company's important clients, have also had to address this issue.

Amid such circumstances, regarding the general human resources service business, the Group has developed measures to utilize its own recruitment sites and implement employment campaigns, and has worked to reinforce hiring, aiming to increase retention rates and to increase the number of employed staff. Furthermore, the Company has actively employed "skilled staff", or indefinite-term employees, and has worked to realize high unit costs by providing high value-added services to its clients.

On the other hand, regarding the other businesses, since the demand for nursing care services has been on an upward trend due to the rise in the population aging rate, the Group has been striving to improve the quality of services provided and to expand the number of service users.

As a result, net sales for the consolidated fiscal year under review amounted to 59,208 million yen (up 10.6% year on year), operating profit was 1,800 million yen (up 109.3% year on year), ordinary profit was 1,781 million yen (up 113.8% year on year), and profit attributable to owners of parent was 1,014 million yen (up 106.6% year on year).

Results by business segment are as follows.

(General Human Resources Service Business)

The Group has continued to expand its sales activities to key clients such as transportation equipment and electronic component manufacturers, who have been performing well under favorable production conditions, and has strived to expand market shares and improve contract unit costs. In addition, in order to improve the quality of service offered to clients, the Group has increased the number of "skilled staff", boosted employee morale, and expanded educational opportunities including skill acquisition.

As a result, net sales for the consolidated fiscal year under review for this business amounted to 56,934 million yen (up 11.1% year on year), and gross profit was 10,185 million yen (up 17.7% year on year).

(Other Businesses)

The Group has been managing nursing care and welfare businesses as other businesses. In order to respond to the needs of the aging society, the Group has opened a new fee-based elderly care facility "Sweetpea Higashi Totsuka" in March 2018, and has expanded the provision of its services. Accordingly, upfront investment such as employee recruitment and capital investment of the newly constructed facility has occurred.

As a result, net sales for the consolidated fiscal year under review for these businesses amounted to 2,273 million yen (down 0.4% year on year) and gross profit was 187 million yen (down 38.4% year on year).

Net sales by business segment

Business Segment	37 <sup>th</sup> Fiscal Year (Fiscal year ended March 31, 2017) (Previous Fiscal Year)		38 <sup>th</sup> Fiscal Year (Fiscal year ended March 31, 2018) (Fiscal Year under Review)		Compared with Previous Fiscal Year	
	Yen Amount (Million yen)	Ratio	Yen Amount (Million yen)	Ratio	Yen Amount (Million yen)	Ratio
General Human Resources Service Business	51,250	95.7%	56,934	96.2%	5,684	11.1%
Other Businesses	2,282	4.3	2,273	3.8	(8)	(0.4)
Total	53,533	100.0	59,208	100.0	5,675	10.6

② Status of capital investment

During the consolidated fiscal year under review, the Group has carried out capital investment totaling 242 million yen for intangible assets such as software, in addition to property, plant and equipment.

Major capital investments for each segment is as follows.

(General Human Resources Service Business)

Renovation of core system	165 Million yen
Renovation of company-owned building (Yokohama, Kanagawa)	15 Million yen
Renovation of educational facility (Kurihara City, Miyagi)	10 Million yen

③ Status of funds procurement

The Company was listed on the Tokyo Stock Exchange on March 16, 2018, and has procured funds totaling 3,786 million yen by issuing new shares through public offering and third-party allotment.

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

Not applicable.

⑤ Acquisition 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

Not applicable.

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

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

Classification	36th Fiscal Year (Fiscal year ended March 31, 2016)	37th Fiscal Year (Fiscal year ended March 31, 2017)	38th Fiscal Year (Fiscal Year under Review) (Fiscal year ended March 31, 2018)
Net sales (Million yen)	47,335	53,533	59,208
Ordinary profit (Million yen)	885	833	1,781
Profit attributable to owners of parent (Million yen)	460	491	1,014
Net income per share (Yen)	69.50	74.07	151.58
Total assets (Million yen)	15,765	17,410	19,881
Net assets (Million yen)	4,216	4,601	9,317
Net assets per share (Yen)	635.99	694.08	1,123.80

(Note) 1. The Company has created consolidated financial statements starting from the 36th Fiscal Year.

2. As of October 16, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share, and then at a ratio of 2 shares for 1 share on February 1, 2018. "Net income per share" and "net assets per share" is calculated assuming that the shares were split at the beginning of the 36th Fiscal Year.

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

Classification	35th Fiscal Year (Fiscal year ended March 31, 2015)	36th Fiscal Year (Fiscal year ended March 31, 2016)	37th Fiscal Year (Fiscal year ended March 31, 2017)	38th Fiscal Year (Fiscal Year under Review) (Fiscal year ended March 31, 2018)
Net sales (Million yen)	36,215	40,397	46,928	53,184
Ordinary profit (Million yen)	534	690	759	1,759
Profit (Million yen)	149	344	437	1,000
Net income per share (Yen)	451.28	51.96	65.95	149.45
Total assets (Million yen)	13,005	13,233	15,045	17,257
Net assets (Million yen)	3,074	3,348	3,681	8,380
Net assets per share (Yen)	9,274.73	505.10	555.35	1,010.76

(Note) As of October 16, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share, and then at a ratio of 2 shares for 1 share on February 1, 2018. "Net income per share" and "net assets per share" is calculated assuming that the shares were split at the beginning of the 36th Fiscal Year.

**(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 Nifty Co., Ltd.	450 Million yen	100.0%	Nursing care welfare · real estate leasing businesses
Nisso Brain Co., Ltd.	50 Million yen	100.0%	General office work dispatching · BPO
Nisso Pure Co., Ltd.	10 Million yen	100.0%	The Company's special-purpose subsidiary to promote employment of people with disabilities

#### (4) Issues to be Addressed

Although the domestic manufacturing industry, which is comprised by many of the Company's major clients, has been performing well, issues such as the shortage of workers and the shortening of production cycles need to be addressed. In response to these needs, the role of the human resources service industry is expected to be greater than ever. In addition, while reviewing the utilization of human resources due to the effects of the revised Worker Dispatch Law and Labor Contract Acts, the creation of new markets within the human resources service industry is being anticipated.

With regards to the Company's other businesses, while the nursing care industry market is expected to continue expanding as a result of the declining birthrate and aging population, an increase in competition is being expected due to restructuring within the industry.

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.

(General Human Resources Service Business)

##### ① Strengthening of recruiting capabilities and securing of human resources

In the midst of declining work force due to the declining birthrate and aging population in Japan, a shortage of workers across all industries is being predicted, and the Group is fully aware of the challenges of having to secure employment for workers. 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 to establishing a wide variety of interview opportunities for potential workers at over 70 recruiting offices and other various interview sessions nationwide. Also, the Company has been developing various initiatives to secure employment for workers, such as strengthening the matching skills of interviewing staff, implementing continuous approaches to prior registrants, as well as utilizing scouting services. Furthermore, the Group has established more training facilities to empower workers to advance their careers by engaging in high-level operations such as engineering, compared to normal manufacturing operations, and has streamlined educational systems that allows for increased educational opportunities, as well as personnel systems that enable regular workers to convert to "skilled staff", all of which enhances their motivation to work. Moreover, the Group will continue to establish systems that will allow workers to choose their period of employment, as well as systems that will enable women and the elderly to work in a variety of ways.

##### ② 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 supplementary personnel as a result of manufacturing and dispatched staff leaving their workplaces. In response to these challenges, the Group has established educational systems to strengthen the management capabilities of workplace supervisors and for manufacturing and dispatched staff. The Group has strived to enable workplace supervisors to increase their on-site management capabilities by partaking in periodic training courses, and to improve the work environments of manufacturing and dispatched staff. In addition, the Group will continue to endeavor to improve profitability by streamlining educational programs intended for manufacturing and dispatched staff, to raise worker motivation by implementing personnel systems that enable them to enhance their skills and to be appointed as full-time employees, as well as to make strides to improve the retention rate.

(Other Businesses)

Responding to the Long-term Care Insurance Act and Improvement of Profitability

With the progress of aging in Japan (an increase in the proportion of the population aged over 65), the needs for nursing care is expected to rise even further. In the meantime, with the further decline of birthrates and increases of the aging population, the ongoing suppression of nursing care compensation is expected to be strengthened with the re-examination of the nursing care insurance system.

There has been no effect to this business as a result of amendments to nursing care compensation in April 2018. However, due to the Revised Long-term Care Insurance Act that will be introduced from August 2018, since the self-pay ratio for a portion of service users is expected to change from 20% to 30%, it is presumed that affected users may refrain from using the service.

Under such circumstances, the Group has realized that becoming a nursing care provider that customers can use with a peace of mind is an issue of the highest importance.

In addition to improving the educational system for nursing care workers and enhancing their individual capabilities, the Group will continue to utilize the expertise it has cultivated so far, enhance the quality of services offered, and strive to increase the number of nursing home occupants as well as users of its nursing care services. Moreover, the Group will continue to undertake the task of improving its management practices by promoting the efficiency of business operations, as well as aiming to strengthen its revenue base and expand its business with increased profitability.

**(5) Main Business Contents** (As of March 31, 2018)

The Group is comprised of by the Company, 3 consolidated subsidiaries and 1 affiliated company accounted for by the equity method, and operates the "general human resources service business" and "other businesses". With regards to the "general human resources service 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 Service 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"), 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 (or Nisso Pure Co., Ltd.) concludes a worker dispatching contract with client companies (dispatch destination companies) in addition to concluding a



fixed term 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 or Nisso Pure Co., Ltd.), 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 (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 sale 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, 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 a fixed term employment contract with job-seekers, and then is able to dispatch workers to client companies. Also as before, 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 developed nursing care and welfare service 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 has been operating 6 fee-based nursing homes in Yokohama, Kanagawa and has been providing nursing care services to residents.

② Home nursing care

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

(6) Significant Branch Offices and Factories (As of March 31, 2018)

① The Company

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

② Subsidiaries

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

**(7) Status of Employees** (As of March 31, 2018)

(1) Status of the Corporate Group

Name of Segment	Number of Employees	(PT Workers)
General Human Resources Service Business	1,332	(267)
Other Businesses	242	(44)
Total	1,574	(311)

- (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, 12,212 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

Number of Employees (PT Workers)	Average age	Average years of service	Average annual salary (Yen)
1,142 (249)	40.7	8.6	4,461,850

Name of Segment	Number of Employees	(PT Workers)
General Human Resources Service Business	1,142	(249)
Total	1,142	(249)

- (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, 11,214 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, 2018)

Name of Lender	Borrowing Amount (Million yen)
The Bank of Yokohama, Ltd.	1,250
Mizuho Bank, Ltd.	410
Japan Finance Corporation	244
Bank of Tokyo-Mitsubishi UFJ, Ltd.	240
Mitsubishi UFJ Lease & Finance Company Limited	240

(Note) As of April 1, 2018, Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its legal name to MUFJ Bank, Ltd.

**(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, 2018)

① Total number of authorized shares                      25,600,000 Shares

(Note) 1. By the resolution of the Board of Directors on September 15, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share as of October 16, 2017, and in association, the amendment to the Articles of Incorporation were implemented, and the total number of authorized shares were increased by 11,520,000 shares.

2. By the resolution of the Board of Directors on January 15, 2018, the Company's common stock was split at a ratio of 2 shares for 1 share as of February 1, 2018, and in association, the amendment to the Articles of Incorporation were implemented, and the total number of authorized shares were increased by 12,800,000 shares.

② Total number of issued shares                              8,291,200 Shares

(Note) 1. By the resolution of the Board of Directors on September 15, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share as of October 16, 2017. As a result, the total number of issued shares were increased by 2,983,500 shares.

2. By the resolution of the Board of Directors on January 15, 2018, the Company's common stock was split at a ratio of 2 shares for 1 share as of February 1, 2018. As a result, the total number of issued shares were increased by 3,315,000 shares.

3. As a result of the issuance of new shares by way of public offering with a payment due date of March 15, 2018, the total number of issued shares were increased by 1,150,000 shares.

4. As a result of the issuance of new shares by way of third-party allotment concerning the offering of the Company's shares through over-allotment with a payment due date of March 28, 2018, the total number of issued shares were increased by 109,500 shares.

5. As a result of the exercising of stock options during the relevant business year, the total number of issued shares were increased by 401,700 shares.

③ Number of shareholders    2,494

④ Major shareholders

Name of Shareholder	Number of Shares	Shareholding Ratio
CW Holdings Co., Ltd.	1,728,000	20.84%
Shimizu Holdings Co., Ltd.	1,638,000	19.76%
Tadao Shimizu	897,100	10.82%
Japan Trustee Services Bank, Ltd. (Trust Account)	438,800	5.29%
Chikako Shimizu	400,000	4.82%
NOMURA PB NOMINEES LIMITED	297,400	3.59%
GOLDMAN SACHS INTERNATIONAL	293,486	3.54%
THE BANK OF NEW YORK MELON LIMITED 131800	232,800	2.81%
Tomoko Shimizu	144,000	1.74%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY - PB	143,700	1.73%

(Note) 1. Treasury stocks are not held by the Company.

2. In the large shareholding report which was made available for public inspection on April 19, 2018, although it was stated that BlackRock Japan Co., Ltd. and its joint holders, BlackRock (Luxembourg) S.A. and BlackRock Investment Management (UK) Limited, owned the following shares as of April 13, 2018, since the Company was unable to confirm the number of real owned 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 content 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.	64,500	0.82%
BlackRock (Luxembourg) S.A.	319,800	4.05%
BlackRock Investment Management (UK) Limited	35,000	0.44%
Total	419,300	5.31%

3. In the large shareholding report which was made available for public inspection on May 21, 2018, although it was stated that Resona Bank, Limited, owned the following shares as of May 15, 2018, since the Company was unable to confirm the number of real owned 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 content of the large shareholding report is as follows.

Name or Company Name	Number of Share Certificates Held	Share Certificates Holding Ratio
Resona Bank, Limited	424,300	5.12%

**(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 711,600 shares (20 shares per 1 share acquisition right)	
Payment Amount of Share Acquisition Rights		Payment is not required in exchange for share acquisition rights	
Amount of Assets to be Contributed for Exercise of Share Acquisition Rights		Per share acquisition right 4,200 yen (Per share 210 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	8,495 units
		Number of subjected shares	169,900 shares
		Number of holders	3
	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, the Company's common stock was split at a ratio of 10 shares for 1 share as of October 16, 2017, and by the resolution of the Board of Directors on January 15, 2018, common stock was split at a ratio of 2 shares for 1 share on February 1, 2018. As a result, "number of shares subject to share acquisition rights" and "amount of assets to be contributed for the 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, 2018)

Position in the Company	Name	Status of Responsibilities and Significant Concurrent Positions
Chairman, CEO	Tadao Shimizu	Shimizu Holdings Co., Ltd. Representative Director Social Welfare Corporation, Modern Elderly Social Welfare Association Chairman
President, COO	Ryuichi Shimizu	Nisso Nifty Co., Ltd. Managing Director Shimizu Holdings Co., Ltd. Managing Director Japan Production Skill Labor Association Director CW Holdings Co., Ltd. Representative Director
Senior Managing Director	Takuo Yabana	Business Department Director Nisso Brain Co., Ltd. Managing Director
Managing Director	Shinichi Matsuo	Administration Department Director & General Affairs and Human Resources Division Director Nisso Pure Co., Ltd. Managing Director
Managing Director※1	Shigeru Horisawa	Kannai General Law Office Director Social Welfare Corporation, Shirayurikai Third-Party Committee Member Social Welfare Corporation, Tsurumi Infant Welfare Center Director
Managing Director※1	Shin Monzawa	Monzawa Certified Public Accountant Office Director General Incorporated Association Toranomokai Director
Audit & Supervisory Board Member	Toshiyasu Udagawa	
Audit & Supervisory Board Member※2	Akira Ishida	KAWATA MFG CO., Ltd. Director (Audit and Supervisory Committee Member)
Audit & Supervisory Board Member※2	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, as well as External Audit & Supervisory Board Members Akira Ishida and Ryuta Hasegawa as Independent Officers as provided for by 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. During the Extraordinary General Meeting of Shareholders held on October 16, 2017, as a result of the approval for the proposal of partial amendments to the Articles of Incorporation, the restrictions on the transfer of shares were abolished. Pursuant to Article 332, paragraph 7, item 3 of the Companies Act, the terms of office of all Managing

Directors, and based on Article 336, paragraph 4, item 4 of the Companies Act, the terms of office of all Audit & Supervisory Board Members in office at that time have expired. With the expiration of the terms of office, by the resolution of the General Meeting of Shareholders, Tadao Shimizu, Ryuichi Shimizu, Takuo Yabana, Shinichi Matsuo, Shigeru Horisawa and Shin Monzawa were appointed as Managing Directors, and Toshiyasu Udagawa, Akira Ishida and Ryuta Hasegawa were newly appointed as Audit & Supervisory Board Members, and each have assumed their offices, respectively.

6. Takuo Yabana has been promoted from Senior Managing Director to Executive Vice President as of April 1, 2018.

② Managing Directors exiting office during the fiscal year

Name	Exit Date	Reason for Exit	Status of Position, Responsibility and Significant Concurrent Positions at Time of Exit
Hideki Sato	June 30, 2017	Expiration of term of office	Affiliates Management Division Director Shuei Shoji GK Representative Director

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 & 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)	7 (2)	206 Million yen (8 Million yen)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	3 (2)	23 Million yen (10 Million yen)
Total (External Officers)	10 (4)	229 Million yen (19 Million yen)

- (Note) 1. The above includes one Managing Director who exited the office at the conclusion of the 37th Ordinary General Meeting of Shareholders that was held on June 30, 2017.
2. The amount of remuneration for Managing Directors does not include the portion of salaries for Managing Directors concurrently serving as employees.
3. Pursuant to the resolution at the 26th Ordinary General Meeting of Shareholders held on June 28, 2006, the remuneration limit for Managing Directors was set to be within 400 million yen per year (excluding their portions of salaries as employees), including stock option remuneration.
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 and a Director of the General Incorporated Association, Toranomokai. 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 relationship with executors of business of the Company or specified related businesses, or with non-business Executing Officers

Not applicable.

C. Main activities during the consolidated fiscal year under review

		Status of Attendance and Comments
Managing Director	Shigeru Horisawa	He has attended all 22 of the Board of Directors' Meetings that were held during the fiscal year under review. During these meetings, he has provided appropriate comments mainly from a compliance perspective, which he has gained from his extensive experience and expertise as an attorney.
Managing Director	Shin Monzawa	Out of the 22 Board of Directors' Meetings held during the fiscal year under review, he has attended all 18 meetings that were held since his assumption of office on June 30, 2017. During these meetings, he has provided appropriate comments mainly from a finance and accounting perspective, which he has gained from his rich experience and expert knowledge as a certified public accountant.
Audit & Supervisory Board Member	Akira Ishida	He has attended all 22 of the Board of Directors' Meetings held and all 11 Audit and Supervisory Board Meetings 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. In addition, during fiscal year under review, he has attended all 3 Audit and Supervisory Board Consultative Meetings that were held before June 29, 2017.
Audit & Supervisory Board Member	Ryuta Hasegawa	Out of the 22 Board of Directors' Meetings held during the fiscal year under review, he has attended all 18 meetings that were held since his assumption of office on June 30, 2017. In addition, out of the 11 Audit and Supervisory Board Meetings held during the fiscal year under review, he has attended all 11 meetings since his assumption of office on June 30, 2017. 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	34 Million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	36 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

The Company has paid compensation to the Accounting Auditor for "Comfort Letter Preparation", which is for services other than what is set forth in Article 2, paragraph 1 of the Certified Public Accountants Act.

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, if the Accounting Auditor is deemed to fall under the each item pursuant to 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 this case, the Audit and 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

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 Board of Directors has 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 "Group Control Committee" chaired by the President to promote sound and sincere business activities.

③Managing 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.

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.

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

①The 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.

②The 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 "Group Control 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 Board of Directors has 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 "Group Control 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 "Group Control Committee Meetings", and other meetings of importance.

②The Company's Representative Directors (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 "Group Control 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.

②The 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.

③In 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 "Group Control Committee Meetings" once every quarter, and 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 1 External Managing Director, were convened 3 times, and 1 extraordinary meeting was convened during the fiscal year under review. In addition, regular meetings of the Board of Directors, comprised of 6 Managing Directors, including 2 External Managing Directors, were convened 9 times, and 9 extraordinary meetings were convened during the fiscal year under review. At the Board of Directors' Meetings, which were convened a total of 22 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

① Following the Audit and Supervisory Board Consultative Meetings, the Audit and Supervisory Board was inaugurated on June 2017. It 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.

② The 3 Audit & Supervisory Board Members, including 2 External Audit & Supervisory Board Members, have attended the "Board of Directors' Meetings", the "Group Meetings", and the "Group Control 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 Directors (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.

③ Audit and Supervisory Board Consultative Meetings, comprised of 2 Audit & Supervisory Board Members, including 1 External Audit & Supervisory Board Member, were convened 3 times, and 11 Audit and Supervisory Board Meetings, comprised of 3 Audit & Supervisory Board Members, including 2 External Audit & Supervisory Board Members, were convened 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 improvement 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, and its basic policy is to continue to steadily redistribute profits to all of its shareholders.

## Consolidated Balance Sheet

(As of March 31, 2018)

(Unit: Thousand yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current Assets</b>	<b>13,058,166</b>	<b>Current liabilities</b>	<b>8,206,960</b>
Cash and deposits	5,283,739	Current portion of long-term loans payable	501,889
Notes and accounts receivable - trade	6,791,691	Lease obligations	108,228
Prepaid expenses	454,303	Accrued expenses	4,331,212
Deferred tax assets	305,118	Income taxes payable	632,856
Other	229,758	Accrued consumption taxes	1,085,514
Allowance for doubtful accounts	(6,444)	Provision for bonuses	528,328
<b>Non-current assets</b>	<b>6,823,082</b>	Other	1,018,930
<b>Property, plant and equipment</b>	<b>4,994,335</b>	<b>Non-current liabilities</b>	<b>2,356,667</b>
Buildings and structures	2,113,842	Long-term loans payable	1,883,221
Land	2,771,384	Lease obligations	220,542
Other	109,108	Deferred tax liabilities	11,049
<b>Intangible assets</b>	<b>380,215</b>	Net defined benefit liability	36,418
Leased assets	287,317	Other	205,435
Other	92,898	<b>Total liabilities</b>	<b>10,563,628</b>
<b>Investments and other assets</b>	<b>1,448,532</b>	<b>(Net assets)</b>	
Investment securities	380,056	<b>Shareholders' equity</b>	<b>9,130,263</b>
Long-term loans receivable	1,882	Capital stock	1,985,364
Lease and guarantee deposits	680,928	Capital surplus	2,336,314
Deferred tax assets	23,121	Retained earnings	4,808,584
Net defined benefit asset	78,942	<b>Accumulated other comprehensive income</b>	<b>187,357</b>
Other	285,343	Valuation difference on available-for-sale securities	160,525
Allowance for doubtful accounts	(1,742)	Foreign currency translation adjustment	1,529
		Remeasurements of defined benefit plans	25,302
<b>Total current assets</b>	<b>19,881,249</b>	<b>Total net assets</b>	<b>9,317,621</b>
		<b>Total liabilities and net assets</b>	<b>19,881,249</b>

**Consolidated Statement of Income**

( April 1, 2017 to  
March 31, 2018 )

(Unit: Thousand yen)

Item	Amount	
<b>Net sales</b>		<b>59,208,463</b>
<b>Cost of sales</b>		<b>48,834,760</b>
<b>Gross profit</b>		<b>10,373,703</b>
<b>Selling, general and administrative expenses</b>		<b>8,573,170</b>
<b>Operating profit</b>		<b>1,800,532</b>
<b>Non-operating income</b>		
Interest income	1,210	
Dividend income	13,354	
Share of profit of entities accounted for using equity method	4,895	
Subsidy income	52,014	
House rent income	56,654	
Other	29,394	157,523
<b>Non-operating expenses</b>		
Interest expenses	82,860	
Rent expenses	34,652	
Other	58,864	176,376
<b>Ordinary profit</b>		<b>1,781,679</b>
<b>Profit before income taxes</b>		<b>1,781,679</b>
Income taxes - current	506,203	
Income taxes - deferred	260,713	766,917
<b>Profit</b>		<b>1,014,762</b>
<b>Profit attributable to non-controlling interests</b>		<b>-</b>
<b>Profit attributable to owners of parent</b>		<b>1,014,762</b>

## Consolidated Statement of Changes in Equity

( April 1, 2017 to  
March 31, 2018 )

(Unit: Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	50,000	400,950	3,941,339	4,392,289
Changes of items during period				
Issuance of new shares	1,893,185	1,893,185		3,786,371
Issuance of new shares - exercise of share acquisition rights	42,178	42,178		84,357
Dividends of surplus			(147,517)	(147,517)
Profit attributable to owners of parent			1,014,762	1,014,762
Net changes of items other than shareholders' equity				
Total changes of items during period	1,935,364	1,935,364	867,245	4,737,974
Balance at end of current period	1,985,364	2,336,314	4,808,584	9,130,263

	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	185,816	1,322	22,326	209,465	4,601,754
Changes of items during period					
Issuance of new shares					3,786,371
Issuance of new shares - exercise of share acquisition rights					84,357
Dividends of surplus					(147,517)
Profit attributable to owners of parent					1,014,762
Net changes of items other than shareholders' equity	(25,291)	207	2,976	(22,107)	(22,107)
Total changes of items during period	(25,291)	207	2,976	(22,107)	4,715,866
Balance at end of current period	160,525	1,529	25,302	187,357	9,317,621

## Notes to Consolidated Financial Statements

### 1. Notes Concerning Important Matters for Compiling Consolidated Financial Statements

#### (1) Matters Concerning the 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 major non-consolidated subsidiaries  
Not applicable.

#### (2) Matters Concerning the Application of Equity Method

- ① Number of affiliated companies accounted for by equity method     1
  - Name of Company
    - 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 procedures concerning the application of equity method  
The affiliated companies accounted for by the equity method uses financial statements related to the fiscal year of the Company, although the closing date differs from the consolidated closing date.

#### (3) Matters Concerning the Fiscal Year of Consolidated Subsidiaries

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

#### (4) Matters Concerning Accounting Policies

- ① Evaluation criteria and evaluation methods of significant assets
  - A Securities
    - Other securities (available-for-sale securities)
      - With fair market value  
The fair market value method based on the market price on the closing date has been used. (The full amount of valuation differences are included directly in net assets and costs of securities sold are 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 has been 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 has been used.

Additionally, the service life of principal assets is as follows.

Buildings and structures      3~50 years

B Intangible assets (excluding leased assets)

The straight-line method has been used.

Additionally, software for in-house use has been based on the estimated period of internal use (5 years).

C Leased assets

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

③ Reporting standards for major allowances

A Allowance for doubtful accounts

In order to provide for losses due to bad debts, the estimated amount of uncollectable debts have been 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 consolidated fiscal year under review of the estimated amount of payment has been recorded.

④ Accounting methods for defined (retirement) benefits

A Period attribution method of estimated retirement benefit amount

For the calculation of the retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period until the end of the consolidated fiscal year under review has been based on straight-line attribution.

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 have been 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 consolidated fiscal year under review exceeded the retirement benefit obligations, they have been recorded as net defined (retirement) benefits assets under investment and other assets.

C Use of simplified method for small-scale enterprises

In some retirement benefit plans, the simplified method has been applied to net defined 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 have been translated into Japanese yen at the spot exchange rate on the consolidated closing date and the translation adjustment has been treated as a profit or loss.

The assets and liabilities of the overseas affiliated company accounted for by the equity method have been translated into yen using the spot exchange rate at the closing date of the affiliated company. In addition, the income and expenses have been translated into Japanese yen at the average exchange rate during the period under review and the translation differences have been included in foreign currency translation adjustment category under net assets.



⑥ Processing method of deferred assets

Share issuance cost

Share issuance costs have been processed for as the full amount at the time of expenditure.

⑦ Significant hedge accounting methods

A Hedge accounting method

For interest rate swaps, special treatment has been 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 have been conducted to avoid interest rate fluctuation risks of borrowings, and hedged items have been identified on an individual contract basis.

D Method of evaluating the effectiveness of hedging

For interest rate swaps, evaluation of effectiveness has been omitted since special treatment has been applied.

⑧ Other significant matters for the preparation of consolidated financial statements

Accounting for consumption tax

Consumption taxes have been accounted for by the tax-exclusion method.

**2. Notes to Consolidated Balance Sheet**

(1) Assets Pledged as Collateral and Collateral for Debts

① Assets pledged as collateral

Buildings and structures	1,797,424 Thousand yen
Land	2,640,912 Thousand yen
"Other" item of intangible assets (Subleasing Rights)	25,847 Thousand yen
<u>Investment securities</u>	<u>327,356 Thousand yen</u>
Total	4,791,540 Thousand yen

② Collateral for debts

Current portion of long-term loans payable	441,889 Thousand yen
<u>Long-term loans payable</u>	<u>1,703,221 Thousand yen</u>
Total	2,145,111 Thousand yen

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment	3,623,314 Thousand yen
--	------------------------

- (3) Discounted Trade Notes Receivable and Electronically Recorded Monetary Claims
- |  |                      |
|--|----------------------|
| Discounted trade notes receivable                  | 4,226 Thousand yen   |
| Discounted electronically recorded monetary claims | 212,999 Thousand yen |

- (4) The Company and its consolidated subsidiary (Nisso Brain Co., Ltd.) have concluded overdraft and commitment line agreements with four 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 consolidated fiscal year under review, for these agreements are as follows.

Limits of account overdraft and total amount of commitments	4,808,000 Thousand yen
Borrowing balance	—
Balance	4,808,000

### 3. Notes to Consolidated Statement of Changes in Equity

- (1) Total number of shares outstanding at the end of the fiscal year under review
- |              |                  |
|--------------|------------------|
| Common stock | 8,291,200 Shares |
|--------------|------------------|

- (2) Matters Concerning Dividends of Surplus

① Amount of dividends payment

Resolution	Type of Shares	Total Amount of Dividends (Thousand yen)	Dividend Per Share (Yen)	Record Date	Effective Date
June 30, 2017 Ordinary General Meeting of Shareholders	Common Stock	147,517	445.00	March 31, 2017	July 3, 2017

(Note) 1. The effective date of the above dividends of surplus has exceeded 3 months from July 3, 2017, and the dividend record date. In addition, since the dividend of surplus has been resolved within 3 months of the record date and the dividend claim right has been finalized, it has been determined to not be in any violation of laws and regulations.

2. As of October 16, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share, and then at a ratio of 2 shares for 1 share on February 1, 2018, however, the dividends per share amount was calculated before the stock split.

- ② Among the dividends whose record date falls within the consolidated fiscal year under review, those whose effective date will fall within the following consolidated fiscal year

Expected Resolution	Type of Shares	Source of Dividends	Total Amount of Dividends (Thousand yen)	Dividend Per Share (Yen)	Record Date	Effective Date
June 28, 2018 Ordinary General Meeting of Shareholders	Common Stock	Retained Earnings	348,230	42.00	March 31, 2018	June 29, 2018

- (3) Type and Number of Shares Subject to Share Acquisition Rights at the End of the Consolidated Fiscal Year under Review
- |              |                |
|--------------|----------------|
| Common stock | 297,900 Shares |
|--------------|----------------|

#### 4. Notes Concerning Financial Instruments

##### (1) Matters Concerning the Status of Financial Instruments

###### ① Policy for handling financial instruments

The Group has procured essential funds primarily 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, held mostly in corporations with which the Company maintains business relations with, are exposed to risks from changes in fair market values. In addition, the Company has provided loans to employees based on internal regulations.

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 its Credit Management Regulations, the Company has managed the due dates and balances for each business partner with respect to notes and accounts receivable (trade), and has ascertained the credit situation of major business partners regularly, 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. The Company has also similarly managed the consolidated subsidiaries in accordance with its Credit Management Regulations.

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

The Company has used interest rate swap transactions to reduce the risk of fluctuations in interest rates associated with loans payable. Also, with regards to investment securities, the Company has periodically ascertained fair market values and the financial situations of the issuers, and has continuously reviewed the holding status by taking into consideration the relationship with issuers, in addition to reporting it to the Board of Directors.

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

The Company and its consolidated subsidiaries, based on reports submitted from each division, has had the division in charge of finance prepare and update cash flow 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 values based on market prices, and values reasonably calculated when there are no market prices. 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) Matters Concerning Fair Market Values of Financial Instruments

The amounts that have been recorded in the consolidated balance sheet, the fair market values and the differences between the two are as follows. Those which the fair market values have been deemed to be extremely difficult to ascertain have not been included. (please refer to (Note) 2) .

	Consolidated Balance Sheet Amount	Fair Market Value	Balance
(1) Cash and deposits	5,283,739 Thousand yen	5,283,739 Thousand yen	—Thousand yen
(2) Notes and accounts receivable - trade	6,791,691	6,791,691	—
(3) Investment securities	355,056	355,056	—
Asset total	12,430,487	12,430,487	—
(1) Accrued expenses	4,331,212	4,331,212	—
(2) Income taxes payable	632,856	632,856	—
(3) Accrued consumption taxes	1,085,514	1,085,514	—
(4) Long-term loans payable (including current portion)	2,385,111	2,359,198	(25,912)
Liabilities total	8,434,695	8,408,782	(25,912)
Derivative transactions	—	—	—

(Note) 1. Matters concerning the method of calculating the fair market value of financial instruments and matters concerning securities and derivative transactions

Assets

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

Since these are settled in a short period of time, the fair market values approximate the carrying amounts, thus they have been based on book values.

(3) Investment securities

Fair market values of investment securities have been based on the prices quoted on stock exchanges and other relevant markets.

Liabilities

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

Since these are settled in a short period of time, the fair market values approximate the carrying amounts, thus they have been based on book values.

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

Fair market values of long-term loans payable have been 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 have been treated together with long-term loans payable that have been subject to hedging, and therefore, their fair market values have been 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
Unlisted stock	25,000 Thousand yen

These items have not been included in the "(3) Investment securities" since there are no market prices and it has been 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	5,283,739 Thousand yen
Notes and accounts receivable - trade	6,791,691
Total	12,075,430

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

	Within 1 Year (Thousand yen)	Over 1 Year & Within 2 Years (Thousand yen)	Over 2 Years & Within 3 Years (Thousand yen)	Over 3 Years & Within 4 Years (Thousand yen)	Over 4 Years & Within 5 Years (Thousand yen)	Over 5 Years (Thousand yen)
Long-term loans payable	501,889	502,419	449,056	449,989	149,418	332,337

**5. Notes Concerning Real Estate for Rent**

Disclosure has been 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 1,123.80 yen

Net income per share 151.58 yen

(Note) As of October 16, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share, and then at a ratio of 2 shares for 1 share on February 1, 2018. "Net income per share" is calculated assuming that the shares were split at the beginning of the consolidated fiscal year under review.

**7. Notes Concerning Significant Subsequent Events**

Not applicable.

## Balance Sheet

(As of March 31, 2018)

(Unit: Thousand yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>11,701,846</b>	<b>Current liabilities</b>	<b>7,428,842</b>
Cash and deposits	4,780,244	Current portion of long-term loans payable	352,360
Notes and accounts receivable - trade	6,025,232	Lease obligations	107,542
Prepaid expenses	425,496	Accrued expenses	4,064,156
Deferred tax assets	258,185	Income taxes payable	624,626
Other	215,011	Accrued consumption taxes	1,047,975
Allowance for doubtful accounts	(2,324)	Provision for bonuses	429,722
<b>Non-current assets</b>	<b>5,555,756</b>	Other	802,459
<b>Property, plant and equipment</b>	<b>2,906,672</b>	<b>Non-current liabilities</b>	<b>1,448,321</b>
Buildings and structures	1,111,409	Long-term loans payable	1,182,510
Land	1,704,624	Lease obligations	220,019
Other	90,638	Provision for retirement benefits	36,418
<b>Intangible assets</b>	<b>351,956</b>	Deferred tax liabilities	319
Leased assets	287,317	Other	9,054
Other	64,639	<b>Total liabilities</b>	<b>8,877,163</b>
<b>Investments and other assets</b>	<b>2,297,127</b>	<b>(Net assets)</b>	
Investment securities	380,056	<b>Shareholders' equity</b>	<b>8,219,913</b>
Shares of subsidiaries and associates	256,876	<b>Capital stock</b>	<b>1,985,364</b>
Long-term loans receivable	1,208,882	<b>Capital surplus</b>	<b>2,336,314</b>
Lease and guarantee deposits	374,726	Legal capital surplus	2,336,314
Prepaid pension cost	30,046	<b>Retained earnings</b>	<b>3,898,234</b>
Other	47,297	Legal retained earnings	40,000
Allowance for doubtful accounts	(759)	Other retained earnings	3,858,234
		General reserve	2,800,000
		Retained earnings brought forward	1,058,234
		<b>Valuation and translation adjustments</b>	<b>160,525</b>
		Valuation difference on available-for-sale securities	160,525
		<b>Total net assets</b>	<b>8,380,438</b>
<b>Total assets</b>	<b>17,257,602</b>	<b>Total liabilities and net assets</b>	<b>17,257,602</b>

**Statement of Income**

( April 1, 2017 to  
March 31, 2018 )

(Unit: Thousand yen)

Item	Amount	
<b>Net sales</b>		<b>53,184,913</b>
<b>Cost of sales</b>		<b>43,568,206</b>
<b>Gross profit</b>		<b>9,616,706</b>
<b>Selling, general and administrative expenses</b>		<b>7,819,980</b>
<b>Operating profit</b>		<b>1,796,726</b>
<b>Non-operating income</b>		
Interest income	26,034	
Dividend income	13,353	
Subsidy income	32,768	
Rent income	73,458	
Other	13,196	158,811
<b>Non-operating expenses</b>		
Interest expenses	68,542	
Rent expenses	80,688	
Other	47,229	196,460
<b>Ordinary profit</b>		<b>1,759,077</b>
<b>Profit before income taxes</b>		<b>1,759,077</b>
Income taxes - current	498,880	
Income taxes - deferred	259,658	758,539
<b>Profit</b>		<b>1,000,538</b>

### Statement of Changes in Equity

( April 1, 2017 to  
March 31, 2018 )

(Unit: Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Other retained earnings		Total retained earnings	Total shareholders' equity
		Legal capital surplus	Total capital surpluses		General reserve	Retained earnings brought forward		
Balance at beginning of current period	50,000	400,950	400,950	40,000	2,800,000	205,213	3,045,213	3,496,163
Changes of items during period								
Issuance of new shares	1,893,185	1,893,185	1,893,185					3,786,371
Issuance of new shares - exercise of share acquisition rights	42,178	42,178	42,178					84,357
Dividends of surplus						(147,517)	(147,517)	(147,517)
Profit						1,000,538	1,000,538	1,000,538
Net changes of items other than shareholders' equity								
Total changes of items during period	1,935,364	1,935,364	1,935,364	—	—	853,020	853,020	4,723,749
Balance at end of current period	1,985,364	2,336,314	2,336,314	40,000	2,800,000	1,058,234	3,898,234	8,219,913

	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	185,816	185,816	3,681,980
Changes of items during period			
Issuance of new shares			3,786,371
Issuance of new shares - exercise of share acquisition rights			84,357
Dividends of surplus			(147,517)
Profit			1,000,538
Net changes of items other than shareholders' equity	(25,291)	(25,291)	(25,291)
Total changes of items during period	(25,291)	(25,291)	4,698,458
Balance at end of current period	160,525	160,525	8,380,438



## Notes to Non-consolidated Financial Statements

### 1. Notes Concerning Matters Related to Significant Accounting Policies

#### (1) Evaluation Criteria and Evaluation Methods of Securities

##### ① Stock of affiliated companies

Stated at cost using the moving average method.

##### ② Other securities (available-for-sale securities)

With fair market value

The fair market value method based on the market price on the closing date has been used (The full amount of valuation differences are included directly in net assets and costs of securities sold are 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 has been 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 has been used.

Additionally, the service life of principal assets is as follows.

Buildings and structures      3~50 years

##### ② Intangible assets (excluding leased assets)

The straight-line method has been used.

Additionally, software for in-house use has been based on the estimated period of internal use (5 years).

##### ③ Leased assets

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

#### (3) Reporting standards for allowances

##### ① Allowance for doubtful accounts

In order to provide for losses due to bad debts, the estimated amount of uncollectable debts have been 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 fiscal year under review of the estimated amount of payment has been recorded.

##### ③ Provision for retirement benefits

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

###### A. Period attribution method of estimated retirement benefit amount

For the calculation of the retirement benefit obligations, the method of attributing the estimated retirement benefit amount to the period until the end of the fiscal year under review has been based on straight-line attribution.

###### 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 have been 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 have been recorded as prepaid pension costs under investment and other assets.

(4) Processing method of deferred assets

Share issuance cost

Share issuance costs have been processed for as the full amount at the time of expenditure.

(5) Hedge Accounting Method

① Hedge accounting method

For interest rate swaps, special treatment has been 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 have been conducted to avoid interest rate fluctuation risks of borrowings, and hedged items have been identified on an individual contract basis.

④ Method of evaluating the effectiveness of hedging

For interest rate swaps, evaluation of effectiveness has been omitted since special treatment has been applied.

(6) Other Significant Matters for the Preparation of 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 have been accounted for by the tax-exclusion method.

## 2. Notes to Balance Sheet

### (1) Assets Pledged as Collateral and Collateral for Debts

#### ① Assets pledged as collateral

Buildings and structures	1,054,840	Thousand yen
Land	1,703,931	Thousand yen
"Other" item of intangible assets (Subleasing Rights)	25,847	Thousand yen
Investment securities	327,356	Thousand yen
Total	3,111,974	Thousand yen

#### ② Collateral for debts

Current portion of long-term loans payable	292,360	Thousand yen
Long-term loans payable	1,002,510	Thousand yen
Total	1,294,870	Thousand yen

(2) Accumulated depreciation of property, plant and equipment 2,295,765 Thousand yen

### (3) Guarantee obligations

The Company has provided debt guarantees for borrowings from financial institutions of the following affiliated company.

Nisso Nifty Co., Ltd. 850,241 Thousand yen

### (4) Discounted trade notes receivable and electronically recorded monetary claims

Discounted trade notes receivable	4,226	Thousand yen
Discounted electronically recorded monetary claims	212,999	Thousand yen

### (5) Monetary claims or monetary liabilities to affiliated companies

① Short term monetary claims	176,022	Thousand yen
② Long term monetary claims	1,513,844	Thousand yen
③ Short term monetary liabilities	30,555	Thousand yen

(6) The Company has concluded overdraft and commitment line agreements with four 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	4,758,000	Thousand yen
Borrowing balance	—	
Balance	4,758,000	Thousand yen

**3. Notes to Statement of Income**

## Transaction Volume with Affiliated Companies

Sales transactions	566,517 Thousand yen
Transactions other than sales transactions	72,084 Thousand yen

**4. Notes to Statement of Changes in Equity**

Type and number of treasury stocks at the end of the fiscal year

Not applicable.

**5. Notes Concerning Tax Effect Accounting**

## Breakdown of Main Factors of Occurrence for Deferred Tax Assets and Deferred Tax Liabilities

## Deferred tax assets

Provision for bonuses	131,409 Thousand yen
Accrued expenses	20,679 Thousand yen
Accrued enterprise tax	41,272 Thousand yen
Impairment loss	50,324 Thousand yen
Loss on valuation of shares of subsidiaries and associates	193,478 Thousand yen
Loss on valuation of investment securities	54,852 Thousand yen
Loss brought forward	53,000 Thousand yen
Other	105,671 Thousand yen
Subtotal deferred tax assets	650,688 Thousand yen
Valuation allowance	(370,401) Thousand yen
Total deferred tax assets	280,287 Thousand yen

## Deferred tax liabilities

Valuation difference on available-for-sale securities	13,233 Thousand yen
Other	9,188 Thousand yen
Subtotal deferred tax liabilities	22,421 Thousand yen
Net deferred tax assets	257,866 Thousand yen

## 6. Notes Concerning Transactions with Related Parties

### (1) Subsidiaries and Affiliated Companies

Type	Name of Company	Location	Capital stock or investments in capital (Thousand Yen)	Business Contents	Voting rights ownership ratio (owned)	Relationship with related parties	Transaction content	Transaction amount (Thousand yen)	Item	Balance at end of period (Thousand yen)
Subsidiary	N i s s o N i f t y Co., Ltd.	Yokohama, Kanagawa	450,000	Nursing care welfare/ real estate leasing businesses	Owner-ship Direct 100%	Lease of real estate, concurrent posting of officers, loan of funds	Lease of real estate (Note) 2	226,812	Prepaid expenses	18,937
									Lease and guarantee deposits	306,844
							Loan of funds	175,000	Other current assets (Short-term loans receivable)	150,000
							Collection of loans	85,000	Long-term loans receivable	1,207,000
							Interest Income (Note) 3	25,897	Other current assets (Accrued income)	2,274
							Debt guarantees (Note) 4	850,241	—	—

(Note) 1. Of the above amounts, transaction amounts do not include consumption taxes, however, the balances at the end of period include consumption taxes.

2. The terms and conditions of real estate leasing transactions have been determined by referring to transaction examples in the neighboring areas.

3. With regards to interest, interest rates have been reasonably determined in consideration of market interest rates.

4. Debt guarantees have been made for bank borrowings, and guarantee commissions have not been received.

### (2) Officers and Major Individual Investors

Type	Name	Location	Capital stock or investments in capital (Thousand Yen)	Occupation	Voting rights ownership ratio (owned)	Relationship with related parties	Transaction content	Transaction amount (Thousand yen)	Item	Balance at end of period (Thousand yen)
Officer	Tadao Shimizu	—	—	Chairman, CEO of the Company	(owned) Direct 10.8%	—	Exercise of share acquisition rights (Note)	11,991	—	—

(Note) Exercise of share acquisition rights is the description of the exercise of rights during the fiscal year under review of stock options which have been 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	1,010.76 yen
Net income per share	149.45 yen

(Note) As of October 16, 2017, the Company's common stock was split at a ratio of 10 shares for 1 share, and then at a ratio of 2 shares for 1 share on February 1, 2018. "Net income per share" is calculated assuming that the shares were split at the beginning of the fiscal year under review.

**8. Notes Concerning Significant Subsequent Events**

Not applicable.



