To Our Shareholders

Internet Disclosure Items Concerning the Notice of the 41st Ordinary General Meeting of Shareholders

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

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

NISSO CORPORATION

Notes to Consolidated Financial Statements

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

(1) Scope of Consolidation

① Number of consolidated subsidiaries 3

・Names of consolidated subsidiaries

Nisso Brain Co., Ltd.
Nisso Pure Co., Ltd.
Nisso Nifty Co., Ltd.

② Names of non-consolidated subsidiaries

Not applicable.

(2) Application of Equity Method

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

・Name of companies

Nikon Nisso Prime Corporation
SHANGHAI NISSO HUMAN RESOURCES Co., Ltd.

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

Not applicable.

③ Special notes on equity method application procedures

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

(3) Fiscal Year of Consolidated Subsidiaries

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

(4) Significant Accounting Policies

① Criteria and methods of valuation of significant assets

Securities

Other securities

With fair market value

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

Without fair market value

Stated at cost using the moving average method.

② Depreciation method for significant depreciable assets

A Property, plant and equipment (excluding leased assets)

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

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

Buildings and structures 3~50 years

B Intangible assets (excluding leased assets)

The straight-line method is used.

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

C Leased assets

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

③ Reporting standards for significant allowances and provisions

A Allowance for doubtful accounts

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

B Provision for bonuses

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

④ Accounting methods for defined (retirement) benefits

A Period attribution method of estimated retirement benefit amount

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

B Method of processing expenses of actuarial differences

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

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

C Use of simplified method for small-scale enterprises

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

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

Foreign currency-denominated receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss.

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

⑥ Significant hedge accounting methods

A Hedge accounting method

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

B Hedging instruments and hedged items

Hedging instruments	Interest rate swaps
Hedged items	Loans payable

C Hedging policy

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

D Method of evaluating the effectiveness of hedging

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

⑦ Other significant matters for the preparation of consolidated financial statements

Accounting for consumption tax

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

(5) Significant Accounting Estimates

Impairment of non-current assets

① Amounts recorded in consolidated financial statements for the consolidated fiscal year under review

(General Human Resources Services Business)

Impairment loss 51 Million yen, property, plant and equipment 4,475 Million yen

② Other information that contributes to the understanding of users of consolidated financial statements

A Calculation method

Regarding the asset group related to property, plant and equipment in the General Human Resources Services segment, the Company judged that there were signs of impairment due to a significant decrease in the market value of multiple real estate properties, and determined the recognition of impairment loss. No impairment loss was recognized as undiscounted future cash flows from the asset group exceed its book value.

Undiscounted future cash flows are based on budgets approved by the Board of Directors.

Moreover, for assets for which the Board of Directors makes decisions regarding the disposal of assets and no alternative investment is planned, the residual book value is reduced to the available-for-sale value based on real estate appraisal, and the reduced amount is recognized as an impairment loss.

B Key assumptions

The key assumptions used to calculate future cash flows are the number of people in operation and the billing unit cost, which are the basis of net sales in the budget. Both the number of people in operation and the billing unit cost are calculated by adding forecasts based on client trends to past actual values. The growth rate from the following fiscal year onwards is estimated to be zero.

③ Impact on consolidated financial statements for the next consolidated fiscal year

An impairment loss may occur if the number of people in operation and the billing unit cost under key assumptions decrease to a certain extent.

(6) Changes in Display Method

(Application of "Accounting Standards for Disclosure of Accounting Estimates")

"Accounting Standards for Disclosure of Accounting Estimates" (Corporate Accounting Standard No. 31, March 31, 2020) has been applied from the consolidated financial statements for the end of the consolidated fiscal year under review, and notes on "Significant Accounting Estimates" have been included in the "Notes to Consolidated Financial Statements" section.

(7) Additional Information

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

In the consolidated fiscal year under review, the Group's business was affected by the spread of COVID-19 infections, such as manufacturing staff having to go on standby as a result of the suspension of production lines at specific business partners. However, the status of orders received by clients is showing a recovery trend, and it is assumed that the impact on the Group's business will be limited in the future.

Accounting estimates in the consolidated fiscal year under review (determination of recoverability of deferred tax assets, determination of impairment loss on non-current assets) are based on forecasted figures that take this assumption into account.

In the event that the economic environment changes due to the spread of COVID-19 infections, the Group's financial condition and results of operations may be affected.

2. Notes to Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Collateral for Debts

Assets pledged as collateral

Buildings and structures	963 Million yen
Land	1,620 Million yen
"Other" item of Intangible assets (Subleasing rights)	1 Million yen
Total	2,585 Million yen

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

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment	3,821 Million yen

(3) Discounts on Electronically Recorded Money Claims

Discounts on Electronically Recorded Money Claims	103 Million yen

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

Limits of account overdraft and total amount of commitments	12,650 Million yen
Outstanding borrowing balance	-
Balance	12,650 Million yen

3. Notes to Consolidated Statement of Changes in Equity

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

Common stock 34,320,400 Shares

(2) Dividends of Surplus

① Dividend payment

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

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

Expected Resolution	Type of Shares	Source of Dividends	Total Amount of Dividends (Million yen)	Dividend Per Share (Yen)	Record Date	Effective Date
June 24, 2021 Ordinary General Meeting of Shareholders	Common Stock	Retained Earnings	682	20.10	March 31, 2021	June 25, 2021

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

Common stock 32,800 Shares

4. Notes Concerning Financial Instruments

(1) Status of Financial Instruments

① Policy for handling financial instruments

Essential funds are primarily procured through bank loans and loan commitments. In addition, regarding the temporary management of surplus funds, it is a policy of the Company to operate them on a large-scale basis at banks on the premise of the necessary funds in accordance with the Company's short- and medium-term financial plans.

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

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

Accrued expenses, which are operating debt, are mainly employee wages and social insurance premiums, etc. Lease obligations related to finance lease transactions (in principle, within 5 years) are the procurement of funds related to capital investment.

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

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

Based on reports submitted from each division/department, the division in charge of finance prepares and updates cash flow/financing plans in a timely manner, and manages liquidity risks by maintaining liquidity on hand, etc.

(2) Matters Concerning the Fair Market Value, etc., of Financial Instruments

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

	Consolidated Balance Sheet Amount	Fair Market Value	Difference
(1) Cash and deposits	5,873 Million yen	5,873 Million yen	- Million yen
(2) Notes and accounts receivable - trade	8,094	8,094	-
Assets total	13,968	13,968	-
(1) Accrued expenses	4,541	4,541	-
(2) Income taxes payable	494	494	-
(3) Accrued consumption taxes	1,163	1,163	-
Liabilities total	6,199	6,199	-

(Note) 1. Method of calculating the fair market value of financial instruments and matters related to securities

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 book values, and therefore they are based on the book values concerned.

Liabilities

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

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

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

Classification	Consolidated Balance Sheet Amount
Shares of subsidiaries and associates	234 Million yen
Unlisted stock	29

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

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

	Within 1 Year
Cash and deposits	5,873 Million yen
Notes and accounts receivable - trade	8,094
Total	13,968

5. Notes Concerning Real Estate for Rent, etc.

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

6. Notes Concerning Per Share Information

Net assets per share amount	375.90 Yen
Net income per share	47.08 Yen

7. Notes Concerning Significant Subsequent Events

Not applicable.

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Criteria and Methods of Valuation of Significant Securities

① Stock of affiliated companies

Stated at cost using the moving average method.

② Other securities

With fair market value

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

Without fair market value

Stated at cost using the moving average method.

(2) Depreciation Method for Non-current Assets

① Property, plant and equipment (excluding leased assets)

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

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

Buildings and structures 3~50 years

② Intangible assets (excluding leased assets)

The straight-line method is used.

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

③ Leased assets

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

(3) Reporting standards for allowances and provisions

① Allowance for doubtful accounts

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

② Provision for bonuses

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

③ Provision for retirement benefits

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

A. Period attribution method of estimated retirement benefit amount

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

B. Method of processing expenses of actuarial differences

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

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

(4) Other Significant Matters that Form the Basis for the Preparation of Non-consolidated Financial Statements

① Accounting for defined (retirement) benefits

The method of accounting for unrecognized actuarial differences related to retirement benefits differs from these accounting methods in consolidated financial statements.

② Accounting for consumption tax, etc.

Accounting for consumption taxes, etc., is based on the tax-exclusion method.

(5) Significant Accounting Estimates

Impairment of non-current assets

① Amounts recorded in financial statements for the fiscal year under review

Impairment loss 51 Million yen, property, plant and equipment 4,455 Million yen

② Other information that contributes to the understanding of users of financial statements

The calculation method and key assumptions regarding the impairment of non-current assets of the Company are based on the consolidated financial statements.

③ Impact on financial statements for the next fiscal year

An impairment loss may occur if the number of people in operation and the billing unit cost under key assumptions decrease to a certain extent.

(6) Changes in Display Method

(Application of "Accounting Standards for Disclosure of Accounting Estimates")

"Accounting Standards for Disclosure of Accounting Estimates" (Corporate Accounting Standard No. 31, March 31, 2020) has been applied from the non-consolidated financial statements for the end of the fiscal year under review, and notes on "Significant Accounting Estimates" have been included in the "Notes to Non-consolidated Financial Statements" section.

(7) Additional Information

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

In the fiscal year under review, the Company's business was affected by the spread of COVID-19 infections, such as manufacturing staff having to go on standby as a result of the suspension of production lines at specific business partners. However, the status of orders received by clients is showing a recovery trend, and it is assumed that the impact on the Company's business will be limited in the future.

Accounting estimates in the fiscal year under review (determination of recoverability of deferred tax assets, determination of impairment loss on non-current assets) are based on forecasted figures that take this assumption into account.

In the event that the economic environment changes due to the spread of COVID-19 infections, the Company's financial condition and results of operations may be affected.

2. Notes to Balance Sheet

(1) Assets Pledged as Collateral and Collateral for Debts

Assets pledged as collateral

Buildings and structures	891 Million yen
Land	1,526 Million yen
"Other" item of Intangible assets (Subleasing rights)	1 Million yen
Total	2,419 Million yen

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

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment	3,620 Million yen

(3) Discounts on Electronically Recorded Money Claims

Discounts on Electronically Recorded Money Claims	103 Million yen

(4) Monetary claims or monetary liabilities to affiliated companies

① Short-term monetary claims	158 Million yen
② Long-term monetary claims	623 Million yen
③ Short-term monetary liabilities	32 Million yen

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

Limits of account overdraft and total amount of commitments	12,600 Million yen
Outstanding borrowing balance	—
Balance	12,600 Million yen

3. Notes to Statement of Income

Transaction volume with affiliated companies

Sales transactions	472 Million yen
Transactions other than sales transactions	19 Million yen

4. Notes to Statement of Changes in Equity

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

Common stock	366,381 Shares

5. Notes Concerning Tax Effect Accounting

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

Deferred tax assets	
Provision for bonuses	252 Million yen
Accrued expenses	40 Million yen
Accrued enterprise tax	38 Million yen
Provision for retirement benefits	105 Million yen
Impairment loss	117 Million yen
Loss on valuation of shares of subsidiaries and associates	89 Million yen
Loss on valuation of investment securities	90 Million yen
Other	119 Million yen
Subtotal deferred tax assets	853 Million yen
Valuation allowance	(361) Million yen
Total deferred tax assets	492 Million yen
Deferred tax liabilities	
Prepaid pension cost	12 Million yen
Other	24 Million yen
Total deferred tax liabilities	36 Million yen
Net deferred tax assets	455 Million yen

6. Notes Concerning Transactions with Related Parties

(1) Subsidiaries and Affiliated Companies

Type	Name of Company	Location	Capital stock or investments in capital (Million yen)	Business Contents	Voting rights ownership ratio (held)	Relationship with related parties	Transaction content	Transaction amount (Million yen)	Item	Balance at end of period (Million yen)
Subsidiary	Nisso Nifty Co., Ltd.	Yokohama, Kanagawa	450	Nursing care · welfare businesses	Owner -ship Direct 100%	Concurrent posting of officers, loan of funds	Loan of funds	933	Other of current assets (short-term loans receivable)	150
							Collection of loans	200	Long-term loans receivable	623
							Receipt of interest (Note)	0	Other of current assets (accrued income)	0

(Note) Regarding interest, the interest rate is rationally determined taking into account market interest rates.

(2) Officers and Major Individual Investors

Type	Name	Location	Capital stock or investments in capital (Million yen)	Occupation	Voting rights ownership ratio (held)	Relationship with related parties	Transaction content	Transaction amount (Million yen)	Item	Balance at end of period (Million yen)
Major Shareholder	Tadao Shimizu	—	—	Counsellor of the Company	(Held) Direct 3.0% Indirect 9.3%	—	Counsellor Remuneration (Note)	13	Other of current liabilities (accounts payable)	1

(Note) He has served as a Representative Director of the Company, and has been appointed as a Counsellor for the purpose of providing various advice to management based on his many years of management experience. The amount of remuneration is determined taking into account the contents of the business to be entrusted to him.

7. Notes Concerning Per Share Information

Net assets per share amount 352.10 Yen

Net income per share 45.22 Yen

8. Notes Concerning Significant Subsequent Events

Not applicable.