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(APPENDIX)

Business Report (April 1, 2020 to March 31, 2021)

1. Current Status of the Corporate Group

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

① Progress and results of business

Although Japan's economy during the current consolidated fiscal year (hereinafter, the "fiscal year under review") has been in a severe situation due to the effects of the spread of the new coronavirus (hereinafter, "COVID-19"), economic activity was affected by the effects of various policies and improvements in overseas economies, while taking measures to prevent the spread of infections. Although there are signs of recovery, it is necessary to pay close attention to the effects of fluctuations in the financial and capital markets.

As for the business environment surrounding the Nisso Group (hereinafter, the "Group") has been improving as domestic manufacturers, who are NISSO CORPORATION's (hereinafter, the "Company") important clients, have shown signs of recovery as mentioned above. As for the automobiles-related industry, production remained firm, although there were effects such as temporary suspensions of operations due to the impact of the Fukushima earthquake that occurred in February 2021. With regards to the electronic devices industry, production of electronic components and devices has been on a recovery trend against the backdrop of increased demand for IT as a result of 5G and changes in work-styles. In addition, in the employment situation, movements such as the number of employees and other factors, have shown signs of resilience, and the needs of the Company's clients to utilize external human resources have also been increasing.

In this environment, based on its founding philosophy of "*Nurturing and Bringing Out the Best in People*", the Group will continue the following initiatives to realize the enhancement of its corporate value with the aim of creating workplaces where employees can work with a sense of satisfaction and flourish, and provide services that can contribute to its growth as a company.

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

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

In addition, 399 million yen in subsidy income was generated from non-operating income. This was mainly due to subsidies for employment adjustment associated with the spread of COVID-19.

In addition, extraordinary losses of 449 million yen were recorded. This was due to a loss on valuation of investment securities and a loss on retirement of non-current assets.

As a result, the results of operations for the fiscal year under review are as follows: net sales of 68,213 million yen (down 9.0% year-on-year), operating profit of 2,599 million yen (down 15.1% year-on-year), ordinary profit of 2,949 million yen (down 6.4% year-on-year), and profit attributable to owners of parent amounted to 1,592 million yen (down 21.7% year-on-year).

Based on its policy of putting the safety of its clients and employees as a top priority, the Group has established the "COVID-19 Countermeasures Headquarters" and is conducting business activities that strengthen measures to prevent the spread of COVID-19 infections. In addition, in nursing care facilities in Other Businesses, although patients suffering from COVID-19 occurred to residents and employees in January 2021, the Group has returned to normal business in February of the same year by thoroughly implementing infection prevention measures.

Results by business segments are as follows:

(General Human Resources Services Business)

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

In manufacturing-related human resources services, the core business which accounted for 91.8% of consolidated net sales during the fiscal year under review, the Company has been making efforts to increase the motivation of manufacturing staff to work, and improve the retention rate by implementing education that enhances added value, including the use of on-line education, etc., as well as its own educational facilities. Net sales related to the automobiles industry have been on an increasing trend due to the recovery in overseas economies, and as a result of efforts to recover incoming order volumes, net sales have improved. However, the Company failed to absorb the decline in demand in the first quarter consolidated accounting period (April 1, 2020 to June 30, 2020), resulting in a 14.4% year-on-year decrease in net sales. On the other hand, semiconductor-related production has remained firm due to investments in IT infrastructure, etc., and net sales related to the electronic devices industry increased, resulting in a 3.2% year-on-year increase.

In addition, in the manufacturing-related human resources services for the fiscal year under review, although net sales to Account Company Groups, which are positioned as important clients, decreased (down 372 million yen year-on-year), its share of net sales was at 47.6% (which was at 45.9% year-on-year). Furthermore, the demand for skilled staff with high skills and retention rates remained strong, increasing by 186 staff compared to the end of the previous consolidated fiscal year.

However, in the fiscal year under review, despite efforts to reduce expenses such as recruitment costs, the Company was not able to absorb the decreases in enrollment and net sales due to the effects of COVID-19, resulting in decreased revenue and profits.

As a result, net sales amounted to 65,250 million yen (down 9.6% year-on-year), and operating profit was 2,578 million yen (down 17.3% year-on-year).

(Other Businesses)

The Company operates nursing care and welfare businesses for its Other Businesses.

In the facilities nursing care business, which is the core business of this business segment, the number of residents of the nursing care facility, "Sweetpea Higashi Totsuka" was generally at full capacity during the fiscal year under review as a result of promoting on-line facility preview events on the premise of preventing the spread of COVID-19 infections. Revenues and profits increased as a result of efforts to reduce the cost of sales and improve profitability through efforts such as streamlining labor and operating expenses.

As a result, net sales amounted to 2,972 million yen (up 6.3% year-on-year), and operating profit was 23 million yen (which was at a loss of 54 million yen in the corresponding period of the previous year).

Net sales by Business Segment

Business Segment	40th Fiscal Year (FY 3/2020) (Previous Consolidated Fiscal Year)		41st Fiscal Year (FY 3/2021) (Fiscal Year under Review)		Year on Year Comparison	
	Amount (Million yen)	% of Total	Amount (Million yen)	% of Total	Amount (Million yen)	Increase (Decrease)
General Human Resources Services Business	72,178	96.3%	65,250	95.7%	(6,927)	(9.6%)
Other Businesses	2,796	3.7	2,972	4.4	176	6.3
Adjustments	(7)	(0.0)	(10)	(0.0)	(2)	-
Total	74,966	100.0	68,213	100.0	(6,752)	(9.0)

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

② Status of capital investments

During the fiscal year under review, the Group carried out capital investment totaling 192 million yen for property, plant and equipment, as well as for intangible assets such as software.

Major capital investments are as follows:

(General Human Resources Services Business)

Website	47 Million yen
Core systems	39 Million yen
Headquarters	32 Million yen
Employee dormitory	26 Million yen

③ Status of funds procurement

Not applicable.

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

Not applicable.

⑤ Acquisition/transfer of business from other companies

Not applicable.

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

Not applicable.

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

On September 17, 2020, the Company underwrote 100,000 shares of common stock issued by Cross Compass Ltd. through a third-party allotment of shares.

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

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

Classification	38th Fiscal Year (FY 3/2018)	39th Fiscal Year (FY 3/2019)	40th Fiscal Year (FY 3/2020)	41st Fiscal Year (Fiscal Year under Review) (FY 3/2021)
Net sales (Million yen)	59,208	69,161	74,966	68,213
Ordinary profit (Million yen)	1,781	2,895	3,149	2,949
Profit attributable to owners of parent (Million yen)	1,014	2,053	2,033	1,592
Net income per share (Yen)	37.89	61.58	60.51	47.08
Total assets (Million yen)	19,870	21,019	22,494	21,631
Net assets (Million yen)	9,317	10,544	11,895	12,763
Net assets per share (Yen)	280.95	314.20	351.84	375.90

(Note) 1. The Company's common stock was split at a ratio of 10 shares for 1 share on October 16, 2017, then at a ratio of 2 shares for 1 share on February 1, 2018, followed by a common stock split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019. "Net income per share" and "net assets per share" are calculated assuming that the shares were split at the beginning of the 38th Fiscal Year.

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

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

Classification	38th Fiscal Year (FY 3/2018)	39th Fiscal Year (FY 3/2019)	40th Fiscal Year (FY 3/2020)	41st Fiscal Year (Fiscal Year under Review) (FY 3/2021)
Net sales (Million yen)	53,184	63,474	69,209	62,549
Ordinary profit (Million yen)	1,759	2,943	3,124	2,863
Profit (Million yen)	1,000	2,240	2,030	1,530
Net income per share (Yen)	37.36	67.18	60.43	45.22
Total assets (Million yen)	17,257	18,482	20,024	19,811
Net assets (Million yen)	8,380	9,852	11,247	11,955
Net assets per share (Yen)	252.69	293.58	332.68	352.10

(Note) 1. The Company's common stock was split at a ratio of 10 shares for 1 share on October 16, 2017, then at a ratio of 2 shares for 1 share on February 1, 2018, followed by a common stock split at a ratio of 2 shares for 1 share on August 22, 2018, and then at a ratio of 2 shares for 1 share on May 1, 2019. "Net income per share" and "net assets per share" are calculated assuming that the shares were split at the beginning of the 38th Fiscal Year.

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

(3) Status of Parent Company and Significant Subsidiaries

① Status of parent company

Not applicable.

② Status of significant subsidiaries

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

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

(4) Issues to be Addressed

In Manufacturing-related Human Resources Services, which is the core business of the Group's General Human Resources Services Business, the domestic manufacturing industry, which is a major client, is concerned about temporary delays in automobiles-related production due to the effects of the spread of COVID-19 infections and the shortage of semiconductors. In addition, with changes in the *MONOZUKURI* (manufacturing) environment, such as the decline in the workforce against the backdrop of the declining birthrate and aging population, response to technological evolution, and response to CSR including supply chains, the level of demand for human resources services is expected to increase, such as further enhancement of education and expansion of business areas that can be responded to.

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

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

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

(General Human Resources Business)

① Strengthening of recruiting capabilities and securing of human resources

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

② Initiatives for human resources development

As the needs in the manufacturing area diversify, the Company recognizes that improving the motivation of employees and enhancing their skills are challenges. In order to enhance work motivation, the Group has established a personnel system that allows employees to convert from manufacturing work to more advanced work such as engineering, or to become indefinite-term employees. In addition, the Company has increased educational opportunities by introducing digital technologies and by establishing educational structures and education programs for employees that actively utilize its training facilities in 8 locations nationwide, and will continue to strive to improve the value of its provision of services to clients while supporting the enhancement of the skills of individuals.

③ Initiatives to create new businesses

In the Group, the Manufacturing-related Human Resources Services Business accounts for approximately 90% of its consolidated net sales. Since this business is based on continuous business relationships with clients and possesses the 2 aspects of "stability" and "dependency", it is recognized that the Company's business performance is greatly influenced by the production trends of its clients. To resolve this issue, the Group aims to formulate a sustainable business profit structure by providing services that can resolve social issues for stakeholders by introducing digital technologies and establishing new partnerships in order to create new businesses that utilize the expertise that it has cultivated so far.

④ Improvement of profitability

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

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

(Other Businesses)

① Enhancement of service quality

The Group recognizes that securing a stable number of nursing care workers is an issue that must be addressed in order to provide nursing care services that further satisfy customers. By promoting the establishment of an installed educational structure for nursing care workers and the creation of a comfortable working environment, the Group aims to improve the retention of staff and provide high-quality services.

② Improvement of profitability

The Group recognizes that a decline in facility occupancy rates due to a decrease in the number of residents in the facility nursing care business is an issue that will have a significant impact on the business performance of the nursing care business. The Group is increasing the number of opportunities for contact with the families of potential residents of its facilities through the use of the Web and previews of its facilities. The Group will strive to achieve stable and high facility occupancy rates by deepening its understanding of the residents, such as proposing services that are unique to each individual, as well as offering information and guidance of a pleasant lifestyle and various events after moving in. In addition, the Group will continue to make efforts to improve its management structure by promoting operational efficiency, and aims to strengthen its revenue base and expand its business with increased profitability.

(5) **Main Business Contents** (As of March 31, 2021)

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

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

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

(General Human Resources Business)

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

A Manufacturing dispatching

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

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

B Manufacturing contracting

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

C Other

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

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

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

General office work dispatching, BPO

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

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

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

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

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

① Facility nursing care

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

② Home nursing care

The Group has established 1 nursing care station in Yokohama, Kanagawa, 2 in Iwaki City, Fukushima, as well as 2 day care nursing facilities also in Iwaki City, Fukushima.

(6) Significant Branch Offices, etc. (As of March 31, 2021)

① The Company

Headquarters	Kohoku-ku, Yokohama, Kanagawa	
Sales Offices	Akita Sales Office (Daisen City, Akita) Kitakami Sales Office (Kitakami City, Iwate) Sendai Sales Office (Sendai City, Miyagi) Koriyama Sales Office (Koriyama City, Fukushima) Utsunomiya Sales Office (Utsunomiya City, Tochigi) Omiya Sales Office (Saitama City, Saitama) Chiba Sales Office (Chiba City, Chiba) Hachioji Sales Office (Hachioji City, Tokyo) Atsugi Sales Office (Atsugi City, Kanagawa)	Kanazawa Sales Office (Kanazawa City, Ishikawa) Nagano Sales Office (Nagano City, Nagano) Hamamatsu Sales Office (Hamamatsu City, Shizuoka) Nagoya Sales Office (Nagoya City, Aichi) Osaka Sales Office (Osaka City, Osaka) Okayama Sales Office (Okayama City, Okayama) Hiroshima Sales Office (Hiroshima City, Hiroshima) Shimane Sales Office (Izumo City, Shimane) Fukuoka Sales Office (Fukuoka City, Fukuoka)

(Note) The names of General Offices, which are the Company's business locations, were changed to "Sales Offices" in October 2020.

② Subsidiaries

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

(7) Status of Employees (As of March 31, 2021)

① Status of the Corporate Group

Name of Segment	Number of Employees (PT Workers)	
General Human Resources Services Business	1,441	(244)
Other Businesses	256	(57)
Total	1,697	(301)

- (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, 13,072 indefinite-term employees · fixed-term contract employees (manufacturing staff, dispatched staff) have been employed on average in the past year.

② Status of the Company

# of Employees (PT Workers)	Average age	Average years of service	Average annual salary (Yen)
1,208 (236)	40.4	10.1	4,399,404

Name of Segment	Number of Employees (PT Workers)	
General Human Resources Services Business	1,208	(236)
Total	1,208	(236)

- (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, 12,370 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, 2021)

Not applicable.

(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, 2021)

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

② Total number of issued shares 34,320,400 Shares (of which 366,381 are treasury shares)

(Note) As a result of the exercising of stock options during the fiscal year under review, the total number of issued shares were increased by 119,200 shares.

③ Number of shareholders 4,047

④ Major shareholders

Name of Shareholder	Number of Shares	Shareholding Ratio
NS Holdings Co., Ltd.	13,917,400	40.99%
Custody Bank of Japan, Ltd. (Trust Account)	2,652,600	7.81%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,315,400	6.82%
Tadao Shimizu	1,022,600	3.01%
Chikako Shimizu	974,000	2.87%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	826,300	2.43%
Custody Bank of Japan, Ltd. (Trust Account 9)	671,500	1.98%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	532,560	1.57%
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	440,659	1.30%
Shoichi Iwashige	433,800	1.28%

- (Note) 1. The shareholding ratio is calculated with the deduction of treasury shares (366,381 shares).
2. In the Changes Report of the Large Shareholding Report which was made available for public inspection on December 17, 2020, although it was stated that SPARX Asset Management Co., Ltd. held the following shares as of December 15, 2020, since the Company was unable to confirm the number of real held shares at the end of the fiscal year under review, the status of the major shareholders stated above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report are as follows:

Name or Company Name	Number of Share Certificates Held	Share Certificates Holding Ratio
SPARX Asset Management Co., Ltd.	2,107,900	6.16%
Total	2,107,900	6.16%

3. In the Changes Report of the Large Shareholding Report which was made available for public inspection on January 8, 2021, although it was stated that Nomura Asset Management Co., Ltd. held the following shares as of December 31, 2020, since the Company was unable to confirm the number of real held shares at the end of the fiscal year under review, the status of the major shareholders stated above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report are as follows:

Name or Company Name	Number of Share Certificates Held	Share Certificates Holding Ratio
Nomura Asset Management Co., Ltd.	2,079,500	6.08%
Total	2,079,500	6.08%

- ⑤ Status of shares issued to Officers of the Company as consideration for execution of duties during the fiscal year under review

Pursuant to the 39th Ordinary General Meeting of Shareholders held on June 27, 2019, the Company introduced a restricted share remuneration system. In response to this, at the Extraordinary Board of Directors' Meeting held on July 16, 2020, the Company resolved to dispose of treasury shares as restricted share remuneration, and as of August 4, 2020, 24,472 treasury shares were disposed of to 3 Managing Directors (excluding External Managing Directors).

- ⑥ Other significant matters concerning shares
Not applicable.

(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
Not applicable.

- 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, 2021)

Position in the Company	Name	Status of Responsibilities and Significant Concurrent Positions
Chairman, President, CEO & Representative Director	Ryuichi Shimizu	Shimizu Holdings Co., Ltd. Managing Director CW Holdings Co., Ltd. Representative Director NS Holdings Co., Ltd. Managing Director Japan Production Skill Labor Association Vice Chairman Japan Association of Human Resource Services Industry Director
Senior Managing Director	Toshiyasu Udagawa	
Managing Director	Shinichi Matsuo	Affiliates Management Support Office Director Nikon Nisso Prime Corporation Managing Director
Managing Director	Shin Monzawa	Monzawa Certified Public Accountant Office Representative Director General Incorporated Association, Toranomonkai Director PLUTUS Management Advisory Co., Ltd. President & Representative Director
Managing Director	Miki Ohno	Crane Law Offices Attorney-at-Law
Full-time Audit & Supervisory Board Member	Akira Ishida	
Audit & Supervisory Board Member	Ryuta Hasegawa	
Audit & Supervisory Board Member	Hideo Sakano	Sakano CPA Office Representative Director TAIYU AUDIT LLC Representative Partner

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

5. Managing Directors and Audit & Supervisory Board Members who retired during the fiscal year under review are as follows:

Name	Date of Retirement	Reason for Retirement	Status of Positions, Responsibilities, and Significant Concurrent Positions at Time of Resignation
Takuo Yabana	June 24, 2020	Expiration of Term of Office	Managing Director
Tadao Shimizu	June 24, 2020	Expiration of Term of Office	Managing Director Shimizu Holdings Co., Ltd. President & Representative Director Social Welfare Corporation, Modern Welfare Association for the Elderly Chairman
Shigeru Horisawa	June 24, 2020	Expiration of Term of Office	External Managing Director Kannai General Law Office Representative Director SHIRAYURI SOCIAL WELFARE SERVICE Corp. Third-party Committee Member Social Welfare Corporation, Tsurumi Babies & Infants Welfare Center Director
Toshiyasu Udagawa	June 24, 2020	Resignation	Full-time Audit & Supervisory Board Member

6. Changes in the positions and responsibilities of Managing Directors from the day following the end of the fiscal year under review are as follows:

Name	Before change	After change	Date of Change
Ryuichi Shimizu	Chairman, President, CEO & Representative Director	Representative Director, President & CEO	April 1, 2021
Toshiyasu Udagawa	Senior Managing Director	Managing Director, Managing Executive Officer & COO	April 1, 2021
Shinichi Matsuo	Managing Director & Affiliates Management Support Office Director Nikon Nisso Prime Corporation Managing Director	Managing Director & Executive Officer Nisso Nifty Co., Ltd. President	April 1, 2021

② 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 amount of liability for damages under this agreement is the minimum liability amount as stipulated by laws and regulations.

③ Outline of contents of Indemnity Agreement, etc.

Not applicable.

④ Outline of contents of Liability Insurance Contract for Officers, etc.

The Company has entered into a liability insurance contract for officers, etc., with an insurance company as stipulated in Article 430-3, paragraph 1, of the Companies Act. The scope of the insured under the insurance contract is the main business executors such as Managing Directors, Audit & Supervisory Board Members, Executive Officers, etc., of the Company and its subsidiaries, and the insured do not bear insurance premiums.

In the event that the insured is filed with a claim for damages by shareholders, third parties, etc., under the insurance contract, it shall compensate the insured for damages such as compensation for damages, litigation/contentious expenses, etc., that will be borne by the insured. However, there are certain disclaimers, such as damages caused by acts that are recognized as violations of laws and regulations, will not be compensated.

⑤ Remuneration of Managing Directors and Audit & Supervisory Board Members

A. Matters concerning the policy for determining the content of individual remuneration, etc., for Managing Directors

At the Board of Directors' Meeting held on February 16, 2021, the Company resolved a policy for determining the content of individual remuneration, etc., for Managing Directors. Upon the resolution of the Board of Directors, the Company consulted with the Nomination and Remuneration Committee on the content of the resolution in advance, and received a report.

In addition, the Board of Directors confirmed that the method of determining the content of remuneration, etc., and the determined content of remuneration, etc., were consistent with the policy, and that the report from the Nomination and Remuneration Committee was respected with regards to the individual remuneration, etc., of Managing Directors pertaining to the fiscal year under review, and it was determined that it was in line with the policy.

The outline of the policy for determining the content of individual remuneration, etc., for Managing Directors is as follows:

a. Basic Policy

The remuneration of Managing Directors of the Company shall be based on a remuneration system linked to shareholder interests so that it can fully function as an incentive to continuously enhance corporate value by achieving short-term business results and realizing the Medium-term Management Plan. In addition, when determining the remuneration of individual Managing Directors, the Company's basic policy shall be to set an appropriate level based on their respective responsibilities.

b. Policy on the Determination of the Amount of Individual Remuneration, etc., for Basic Remuneration (Fixed Remuneration) and the Calculation Method Thereof (Includes policies on the timing or conditions under which remuneration, etc., are to be rewarded.)

The basic remuneration of the Company's Managing Directors shall be determined by taking into account the roles and responsibilities, etc., and a fixed amount shall be paid each month. In addition, the remuneration for External Managing Directors shall be limited to basic remuneration, taking into account the position in which they assume the supervisory function of management.

- c. Policy on the Determination of the Content, Amount, or Number of Performance-linked Remuneration and Non-monetary Remuneration and the Calculation Method Thereof (Includes policies on the timing or conditions under which remuneration, etc., are to be rewarded.)

Performance-linked remuneration shall be paid at a fixed time each year based on the target achievement rate of consolidated operating profit, in order to clarify the responsibility for achieving short-term performance and to increase the motivation to contribute to the achievement of the Medium-term Management Plan as well as the enhancement of corporate value.

Non-monetary remuneration shall be granted to shares with a transfer restriction period in order to provide incentives for sharing value with shareholders, raising awareness of share prices by Managing Directors, and enhancing corporate value over the medium- to long-term. The number of shares to be granted shall be determined by comprehensive consideration of positions, etc., and shall be granted at a certain time after the conclusion of the Ordinary General Meeting of Shareholders.

- d. Policy on the Determination of the Ratio of the Amount of Basic Remuneration, Performance-linked Remuneration, etc., or the Amount of Non-monetary Remuneration, etc., to the Amount of Individual Remuneration, etc., of Managing Directors

Regarding the remuneration by type of Managing Directors (excluding External Managing Directors), the higher the position, the higher the weight of performance-linked remuneration and restricted share remuneration shall be.

- e. Matters related to Decisions on the Content of Individual Remuneration of Managing Directors

Regarding the amount of remuneration for each individual Managing Director, based on the resolution of the Board of Directors, the Representative Director shall be entrusted with the determination of its specific content. In addition, the content of such authority shall be the amount of basic remuneration and performance-linked remuneration for each Managing Director.

The Board of Directors shall consult with the Nomination and Remuneration Committee on the draft so that such authority can be appropriately exercised by the Representative Director, and the Representative Director who has received the above mandate shall determine the content of the individual remuneration based on the report.

Non-monetary remuneration shall be determined by the Board of Directors on the number of shares to be allotted to each individual Managing Director based on the report of the Nomination and Remuneration Committee.

B. Total amount of remuneration for the fiscal year under review

Classification	Number of Members	Amount of Remuneration (Million yen)	Total amount by type of remuneration (Million yen)		
			Basic remuneration	Performance-linked remuneration	Non-monetary remuneration
Managing Directors (incl. External Managing Directors)	8 (3)	190 (10)	130 (10)	43 (-)	15 (-)
Audit & Supervisory Board Members (incl. External Audit & Supervisory Board Members)	4 (3)	25 (21)	25 (21)	- (-)	- (-)
Total (incl. External Officers)	12 (6)	215 (31)	155 (31)	43 (-)	15 (-)

(Note) 1. The table above includes 3 Managing Directors (including 1 External Managing Director) and 1 Audit & Supervisory Board Member who retired (or resigned) at the conclusion of the 40th Ordinary General Meeting of Shareholders held on June 24, 2020.

2. The amount of remuneration for Managing Directors does not include the portion of salaries for Managing Directors concurrently serving as employees.
3. The amount of remuneration for Managing Directors does not include the Special Reward for Meritorious Service (total amount 50,457,000 yen, 1 person) for the retired Managing Director which was resolved at the Ordinary General Meeting of Shareholders held on June 24, 2020.
4. The performance indicator for performance-linked remuneration is consolidated operating profit, and the results reflected an achievement rate of 173%. Moreover, regarding the standard for FY 3/2021, the upper limit of the payment rate is 150%. The reason for selecting this indicator is to clarify the responsibility for achieving short-term performance and to increase the motivation to contribute to the achievement of the Medium-term Management Plan and the enhancement of corporate value. The Company's performance-linked remuneration is calculated by multiplying the base amount for each position by the achievement rate of consolidated operating profit.
5. The content of non-monetary remuneration is the shares of the Company, and the conditions, etc., at the time of allotment are as described in "A. Matters concerning the policy for determining the content of individual remuneration, etc., for Managing Directors". In addition, the status of issuance during the fiscal year under review is described in "2. (1) ⑤ Status of shares issued to Officers of the Company as consideration for execution of duties during the fiscal year under review".
6. Pursuant to the resolution at the 39th Ordinary General Meeting of Shareholders, the remuneration limit for Managing Directors was set to consist of basic remuneration within the limit of 300 million yen per year (of which the amount for External Managing Directors to be within the limit of 30 million yen per year), and performance-linked remuneration linked to company-wide consolidated performance in a single fiscal year as short-term incentive remuneration within the limit of 300 million yen per year (excluding External Managing Directors). The number of Managing Directors at the conclusion of the above-mentioned General Meeting of Shareholders was 6 (including 2 External Managing Directors).
In addition, separately from the annual remuneration mentioned above, pursuant to the resolution at the above-mentioned Ordinary General Meeting of Shareholders, Managing Directors (excluding External Managing Directors) have received restricted share remuneration within the limit of 50 million yen per year as medium- to long-term incentive remuneration.
Furthermore, each remuneration amount mentioned above does not include the portion of salaries for Managing Directors concurrently serving as employees. The number of Managing Directors (excluding External Managing Directors) at the conclusion of the above-mentioned General Meeting of Shareholders was 4.
7. 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 the limit of 60 million yen per year, including stock option remuneration. The number of Audit & Supervisory Board Members at the conclusion of the above-mentioned General Meeting of Shareholders was 3.
8. The Board of Directors has delegated to Ryuichi Shimizu, Chairman, President, CEO & Representative Director, the determination of the amount of basic remuneration for each Managing Director, and the allocation of performance-linked remuneration for each Managing Director, excluding External Managing Directors. The reason for the delegation is that the Company has determined that the Representative Director is suitable for evaluating the responsibilities of each Managing Director, taking into account the business performance of the Company as a whole.

⑥ Matters Concerning External Officers

- A. Status of concurrent duties with other corporations and relationship between the Company and other such corporations
 - Managing Director Shin Monzawa is the Representative Director of the Monzawa Certified Public Accountant Office, a Director of the General Incorporated Association, Toranomonkai, and the President & Representative Director of PLUTUS Management Advisory Co., Ltd. There are no special relationships between the Company and the organizations at which he holds concurrent positions.
 - Managing Director Miki Ohno is an Attorney-at-Law at the Crane Law Offices. There is no special relationship between the Company and the organization at which she holds a concurrent position.

- Audit & Supervisory Board Member Hideo Sakano is the Representative Director of the Sakano CPA Office, and a Representative Partner of TAIYU AUDIT LLC. There are no special relationships between the Company and the organizations at which he holds concurrent positions.
- B. Familial relationships with executors of business of the Company or specified related businesses, or with non-business Executing Officers
Not applicable.
- C. Main activities during the fiscal year under review

	Status of Attendance and Comments
Managing Director Shin Monzawa	He has attended all 19 of the Board of Directors' Meetings that were held during the fiscal year under review. He has rich experience and expert knowledge as a certified public accountant, and has provided appropriate comments mainly from a finance and accounting perspective during these meetings, as well as fulfilling an appropriate role in ensuring the validity and appropriateness of decision-making. In addition, as the chairman of the Nomination and Remuneration Committee, he has attended all 3 committee meetings that were held during the fiscal year under review, and has led the supervisory function in the decision-making process, including the selection of candidates for Managing Directors of the Company, from an objective and neutral standpoint.
Managing Director Miki Ohno	She has attended all 14 Board of Directors' Meetings that were held during the fiscal year under review since her assumption of office on June 24, 2020. She has a wealth of experience and exclusive knowledge as an attorney, and has provided appropriate comments from a professional standpoint as an attorney during these meetings, as well as fulfilling an appropriate role in ensuring the validity and appropriateness of decision-making. In addition, as a member of the Nomination and Remuneration Committee, she has attended all 3 committee meetings that were held during the fiscal year under review, and has provided fair opinions and recommendations in the decision-making process for the selection of candidates for Managing Directors of the Company, from an objective and neutral standpoint.
Audit & Supervisory Board Member Akira Ishida	He has attended all 19 of the Board of Directors' Meetings, in addition to attending all 13 of the Audit and Supervisory Board Meetings that were held during the fiscal year under review. During these meetings which he has attended, he has provided appropriate comments based on his vast experience as a management executive of other companies.
Audit & Supervisory Board Member Ryuta Hasegawa	He has attended all 19 of the Board of Directors' Meetings, in addition to attending all 13 of the Audit and Supervisory Board Meetings that were held during the fiscal year under review. During these meetings which he has attended, he has provided appropriate comments based on his abundant experience in financial institutions.
Audit & Supervisory Board Member Hideo Sakano	He has attended all 14 Board of Directors' Meetings, in addition to attending 8 out of the 9 Audit and Supervisory Board Meetings that were held during the fiscal year under review since his assumption of office on June 24, 2020. During these meetings which he has attended, he has provided appropriate comments based on his extensive experience and specialized knowledge as a certified public accountant and tax accountant.

(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	39 Million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	39 Million yen

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

③ Contents of non-audit services
Not applicable.

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

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

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

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

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

(1) System to Ensure Appropriate Business Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⑤In order to preserve corporate assets and improve management efficiency, the Company has established "Internal Audit Regulations", and has set up an independent Internal Auditing Office. 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 Office shall conduct audits of each company in the Group on a regular basis and when deemed necessary. Furthermore, the Internal Auditing Office shall cooperate with Audit & Supervisory Board Members and the Accounting Auditor to strive to ensure the proper business operations of the Group through audits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Compliance System

①The Company has established the "Nisso Group Charter of Corporate Behavior", which indicates the core concepts of a company that conducts sound and sincere business activities, and the "Nisso Group Employee Code of Conduct", which provides specific action guidelines. The Company also distributes the pocket leaflet "*NISSO Michishirube*" (literal meaning: "NISSO Guidelines") which contains the aforementioned Charter and Code to officers of NISSO and its subsidiaries in order to ensure compliance of laws, regulations and ethical behavior.

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

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

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

2. Risk Management System

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

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

③The Internal Auditing Office 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. Execution of Duties by Managing Directors

Regular meetings of the Board of Directors, comprised of 5 Managing Directors, including 2 External Managing Directors, were convened 12 times, and 7 extraordinary meetings were convened during the fiscal year under review. At the Board of Directors' Meetings, which were convened a total of 19 times, the reporting of business results and the approval of significant matters concerning business operations were conducted.

5. Execution of Duties by Audit & Supervisory Board Members

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

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

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

4. Basic Policy on the Control of the Company

Not applicable.

5. Policy Concerning the Determination of Dividends of Surplus

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

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

Consolidated Balance Sheet

(As of March 31, 2021)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	14,813	Current liabilities	8,178
Cash and deposits	5,873	Lease obligations	55
Notes and accounts receivable - trade	8,094	Accrued expenses	4,541
Prepaid expenses	566	Income taxes payable	494
Other	284	Accrued consumption taxes	1,163
Allowance for doubtful accounts	(5)	Provision for bonuses	950
		Other	972
Non-current assets	6,817	Non-current liabilities	689
Property, plant and equipment	4,654	Lease obligations	12
Buildings and structures	1,799	Net defined benefit liability	345
Land	2,704	Other	332
Other	150		
Intangible assets	305	Total liabilities	8,868
Leased assets	55	(Net assets)	
Other	249	Shareholders' equity	12,744
Investments and other assets	1,857	Capital stock	2,015
Investment securities	263	Capital surplus	2,368
Lease and guarantee deposits	676	Retained earnings	8,674
Deferred tax assets	466	Treasury shares	(313)
Net defined benefit asset	76	Accumulated other comprehensive income	18
Other	393	Foreign currency translation adjustment	1
Allowance for doubtful accounts	(19)	Remeasurements of defined benefit plans	17
		Total net assets	12,763
Total assets	21,631	Total liabilities and net assets	21,631

Consolidated Statement of Income

(April 1, 2020 to
March 31, 2021)

(Unit: Million yen)

Item	Amount	
Net sales		68,213
Cost of sales		56,426
Gross profit		11,787
Selling, general and administrative expenses		9,188
Operating profit		2,599
Non-operating income		
Interest income	3	
Dividend income	0	
Share of profit of entities accounted for using equity method	7	
Subsidy income	399	
House rent income	40	
Other	35	487
Non-operating expenses		
Interest expenses	11	
Rent expenses	26	
Loss on cancellation of rental contracts	27	
Other	71	136
Ordinary profit		2,949
Extraordinary losses		
Loss on valuation of investment securities	296	
Directors' retirement benefits	50	
Loss on sales of non-current assets	18	
Loss on retirement of non-current assets	32	
Impairment loss	51	449
Profit before income taxes		2,500
Income taxes - current	943	
Income taxes - deferred	(35)	907
Profit		1,592
Profit attributable to non-controlling interests		-
Profit attributable to owners of parent		1,592

Consolidated Statement of Changes in Equity

(April 1, 2020 to
March 31, 2021)

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,012	2,369	7,926	(334)	11,974
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	3	3			6
Dividends of surplus			(845)		(845)
Profit attributable to owners of parent			1,592		1,592
Disposal of treasury shares		(4)		20	16
Net changes of items other than shareholders' equity					-
Total changes of items during period	3	(1)	747	20	770
Balance at end of current period	2,015	2,368	8,674	(313)	12,744

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1	(79)	(78)	11,895
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				6
Dividends of surplus				(845)
Profit attributable to owners of parent				1,592
Disposal of treasury shares				16
Net changes of items other than shareholders' equity	0	97	97	97
Total changes of items during period	0	97	97	867
Balance at end of current period	1	17	18	12,763

Balance Sheet

(As of March 31, 2021)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	13,315	Current liabilities	7,490
Cash and deposits	5,290	Lease obligations	55
Notes and accounts receivable - trade	7,333	Accrued expenses	4,330
Prepaid expenses	513	Income taxes payable	471
Other	181	Accrued consumption taxes	1,098
Allowance for doubtful accounts	(3)	Provision for bonuses	825
		Other	708
Non-current assets	6,496	Non-current liabilities	365
Property, plant and equipment	4,455	Lease obligations	12
Buildings and structures	1,699	Provision for retirement benefits	345
Land	2,610	Other	8
Other	144	Total liabilities	7,856
Intangible assets	273	(Net assets)	
Leased assets	55	Shareholders' equity	11,955
Other	218	Capital stock	2,015
Investments and other assets	1,767	Capital surplus	2,368
Investment securities	29	Legal capital surplus	2,366
Shares of subsidiaries and associates	476	Other capital surplus	1
Long-term loans receivable	624	Retained earnings	7,884
Lease and guarantee deposits	97	Legal retained earnings	40
Prepaid pension cost	41	Other retained earnings	7,844
Deferred tax assets	455	Reserve for specified stock	75
Other	61	General reserve	2,800
Allowance for doubtful accounts	(19)	Retained earnings brought forward	4,969
		Treasury shares	(313)
Total assets	19,811	Total net assets	11,955
		Total liabilities and net assets	19,811

Statement of Income

(April 1, 2020 to
March 31, 2021)

(Unit: Million yen)

Item	Amount	
Net sales		62,549
Cost of sales		51,323
Gross profit		11,226
Selling, general and administrative expenses		8,603
Operating profit		2,622
Non-operating income		
Interest income	0	
Dividend income	0	
Subsidy income	290	
House rent income	53	
Other	18	363
Non-operating expenses		
Rent expenses	48	
Loss on cancellation of rental contracts	27	
Other	46	122
Ordinary profit		2,863
Extraordinary losses		
Loss on valuation of investment securities	296	
Directors' retirement benefits	50	
Loss on sales of non-current assets	18	
Loss on retirement of non-current assets	32	
Impairment loss	51	449
Profit before income taxes		2,414
Income taxes - current	917	
Income taxes - deferred	(33)	884
Profit		1,530

Statement of Changes in Equity

(April 1, 2020 to
March 31, 2021)

(Unit: Million yen)

	Shareholders' equity											Total net assets
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings						
						Reserve for specified stock	General reserve	Retained earnings brought forward				
Balance at beginning of current period	2,012	2,363	6	2,369	40	-	2,800	4,360	7,200	(334)	11,247	11,247
Changes of items during period												
Issuance of new shares - exercise of share acquisition rights	3	3		3							6	6
Dividends of surplus								(845)	(845)		(845)	(845)
Profit								1,530	1,530		1,530	1,530
Disposal of treasury shares			(4)	(4)						20	16	16
Reserve for specified stock reserve						75		(75)			-	-
Net changes of items other than shareholders' equity											-	-
Total changes of items during period	3	3	(4)	(1)	-	75	-	609	684	20	707	707
Balance at end of current period	2,015	2,366	1	2,368	40	75	2,800	4,969	7,884	(313)	11,955	11,955

