To Our Shareholders

Internet Disclosure Items Concerning
the Notice of the 42nd 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 4

・Names of consolidated subsidiaries

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

② Change in scope of consolidation

From the current consolidated fiscal year (hereinafter, the "consolidated fiscal year under review"), Vector Shinwa Co., Ltd. has been included in the scope of consolidation. This was included in the scope of consolidation due to the acquisition of 100% of the outstanding shares of Vector Shinwa Co., Ltd. by NISSO CORPORATION (hereinafter, the "Company") during the consolidated fiscal year under review.

③ Names of non-consolidated subsidiaries

Not applicable.

(2) Application of Equity Method

① Number of affiliated companies accounted for by the equity method 3

・Name of companies

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

② Change in scope of application of equity method

From the consolidated fiscal year under review, Leaf Nxt Inc. has been included as an affiliated company accounted for by the equity method. This was included in the affiliated company accounted for by the equity method since Leaf Nxt Inc. became an affiliated company due to the acquisition of its shares by the Company during the consolidated fiscal year under review.

③ Non-consolidated subsidiaries and affiliated companies not accounted for by equity method

Not applicable.

④ Special notes on equity method application procedures

For the affiliated company accounted for by 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

Among the consolidated subsidiaries, the closing date of Vector Shinwa Co., Ltd. is February 28. In the preparation of the consolidated financial statements, the financial statements as of the same date are used, and necessary adjustments for consolidation are made for significant transactions that occurred between the consolidated closing dates. The closing date of other consolidated subsidiaries is consistent with the consolidated closing date.

(4) Significant Accounting Policies

① Criteria and methods of valuation of significant assets

Other securities

・Shares, etc., without market price

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 is recorded for general receivables based on actual bad debt ratios, and by individually reviewing the collectability for specific receivables including doubtful accounts receivable.

B Provision for bonuses

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

C Provision for shareholder benefit program

In order to prepare for expenses under the shareholder benefits program, the Company has recorded an amount that is expected to be incurred in the following consolidated fiscal year and thereafter.

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 recording revenues and expenses

The following information provides the basis for an understanding of the Nisso Group's (hereinafter, the "Group") revenue arising from contracts with clients, including the main business performance obligations of the major businesses and the time at which such performance obligations are satisfied (the normal time at which revenue is recognized).

A　General Human Resources Services Business

The Group is mainly engaged in manufacturing dispatching and manufacturing contracting.

In manufacturing dispatching, the Group has concluded worker dispatching contracts between the Group and manufacturers of automobiles, electronic devices, precision・electrical machinery, and provide services to dispatch workers who have concluded employment contracts with the Group to manufacturers. In addition, in manufacturing contracting, the Group has concluded contracting agreements with manufacturers, and in response to orders from manufacturers, the Group provides services to deliver finished products (results) by carrying out manufacturing processing, inspections, etc., under the Group's own management system. These services are mainly routine or repetitive services and are considered to be performance obligations that are to be fulfilled over a certain period of time, since clients are expected to benefit from the services as the Group fulfills its obligations under its contracts with them.

The consideration for manufacturing dispatching transactions is mainly hourly billing as consideration for labor, while consideration for manufacturing contracting transactions is mainly volume billing as consideration for deliverables. In addition, consideration for transactions is billed on a monthly basis and is received within approximately 3 months after the billing.

Since the Group is considered to have the right to receive from the client the amount of consideration that directly corresponds to the value to the client for the portion of performance that the Group has completed to date, revenue is recognized in amounts that the Group has the right to claim. In addition, consideration paid to clients, such as rental fees incurred by the Group for the provision of services, is reduced from revenues.

B　Other Businesses

The Group mainly provides facility nursing care as a nursing care・welfare business.

In facility nursing care, the Group operates fee-based nursing homes with long-term care, and provides nursing care services to residents after concluding a move-in agreement between the residents and the Group. These services are routine or repetitive services and are considered to be performance obligations that are to be fulfilled over a certain period of time, since clients are expected to benefit from the services as the Group fulfills its obligations under its contracts with them.

The consideration for facility nursing care transactions is the lump-sum payment received before prospective residents move in and the monthly usage fee received after residents move in. Revenue is recognized over a period of time, primarily based on the percentage of the period of residence in which services are expected to be provided to the elapsed period to date.

⑥　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.

⑦ Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over 10 years.

(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)

Property, plant and equipment 4,403 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.

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 Accounting Policies

(Application of Accounting Standards for Revenue Recognition)

"Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, the "Revenue Recognition Accounting Standards") etc., have been applied from the beginning of the consolidated fiscal year under review, and revenue was recognized at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to clients.

The main changes resulting from the application of Revenue Recognition Accounting Standards are as follows:

(General Human Resources Services Business)

Previously, although consideration paid to clients, such as rent, was treated as cost of sales, it has been changed to a method of reducing it from the transaction price.

(Other Businesses)

In the past, the lump-sum payment received from a client in a nursing care facility's occupancy contract was recognized as revenue after the expiration of the amortization period under the occupancy contract. However, the method has been changed to recognize revenue over the period of residence in which the service is expected to be provided.

The application of the Revenue Recognition Accounting Standards is in accordance with the transitional treatment set forth in the Revenue Recognition Accounting Standards No. 84. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the consolidated fiscal year under review was added to or subtracted from retained earnings at the beginning of the consolidated fiscal year under review, and the new accounting policy was applied from the beginning balance.

As a result, net sales for the consolidated fiscal year under review decreased by 257 million yen, cost of sales decreased by 270 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 12 million yen. In addition, the balance at the beginning of the current period of retained earnings decreased by 233 million yen. Furthermore, "other" under the current liabilities category increased by 220 million yen at the end of the consolidated fiscal year under review.

Due to changes in accounting policies, "notes and accounts receivable (trade)" which were listed under current assets until the previous consolidated fiscal year, are listed separately under "electronically recorded monetary claims (operating)" and "accounts receivable (trade)", respectively, from the consolidated fiscal year under review. In addition, "contract liabilities", which was included in "other" under current liabilities, is listed separately.

(7) Changes in Display Method

(Application of "Accounting Standards for Calculation of Market Value")

"Accounting Standards for Calculation of Market Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter the "Market Value Calculation Accounting Standards") etc., have been applied from the beginning of the consolidated fiscal year under review.

In accordance with the transitional treatment stipulated in Paragraph 19 of the Market Value Calculation Accounting Standards and Paragraph 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) , the new accounting policies stipulated by the Market Value Calculation Accounting Standards will be applied in the future, and in the "Notes Concerning Financial Statements", matters related to the breakdown of the market value of financial instruments by appropriate classification, etc. will be stated.

(8) Additional Information

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

In the consolidated fiscal year under review, clients of manufacturing-related human resources services, which is the core business of the Group, suffered sluggish growth in the operation of manufacturing staff due to the effects of shortages of semiconductors and other parts and a temporary suspension of operations as a result of the spread of COVID-19 infections. On the other hand, the need for human resources to prepare for the increase in production activities after the convergence of risks has not declined, and the Group has been working to secure human resources in order to meet respond to such demands. It is assumed that the same trend will continue to some extent in the following consolidated fiscal year.

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

① Assets pledged as collateral

Buildings and structures	852 Million yen
Land	1,518 Million yen
"Other" item of Intangible assets (Subleasing rights)	1 Million yen
Total	2,371 Million yen

② Collateral for debts

Current portion of long-term loans payable	390 Million yen
Long-term loans payable	2,109 Million yen
Total	2,500 Million yen

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment 3,896 Million yen

(3) Discounts on Electronically Recorded Money Claims

Discounts on electronically recorded money claims 133 Million yen

(4) 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 consolidated fiscal year under review, for these agreements are as follows:

Limits of account overdraft and total amount of loan commitments	5,200 Million yen
Outstanding borrowing balance	-
Balance	5,200 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 34,330,800 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, 2021 Ordinary General Meeting of Shareholders	Common Stock	682	20.10	March 31, 2021	June 25, 2021

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 29, 2022 Ordinary General Meeting of Shareholders	Common Stock	Retained Earnings	611	18.00	March 31, 2022	June 30, 2022

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

Common stock 22,400 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

Electronically recorded monetary claims (operating) 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. Loans payable (borrowings) are mainly financing related to business transactions and are exposed to liquidity risk.

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 electronically recorded monetary claims (operating) 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 Market Value, etc., of Financial Instruments

The amounts that are recorded in the consolidated balance sheet, the market values and the differences between the two are as follows:

	Consolidated Balance Sheet Amount	Market Value	Difference
Long-term loans payable (including current portion)	3,000 Million yen	2,989 Million yen	(10) Million yen
Liabilities total	3,000	2,989	(10)

(※1) "Cash and deposits", "electronically recorded monetary claims (operating)", "accounts receivable (trade)", "accrued expenses", "income taxes payable", and "accrued consumption taxes" are omitted because they are in cash and since deposits are settled in a short period of time, their market value approximates the book value.

(※2) The amounts recorded on the consolidated balance sheet for shares, etc., without market prices are as follows:

Classification	Consolidated Balance Sheet Amount
Shares of subsidiaries and associates	470 Million yen
Unlisted stock	29

(Note) 1. Expected redemption amounts after the consolidated closing date of monetary claims

	Within 1 Year (Million yen)
Cash and deposits	8,779
Electronically recorded monetary claims - operating	66
Accounts receivable - trade	9,324
Total	18,170

(Note) 2. Expected redemption amounts after consolidated closing date of long-term loans payable

	Within 1 Year (Million yen)	Over 1 Year and Within 2 Years (Million yen)	Over 2 Years and Within 3 Years (Million yen)	Over 3 Years and Within 4 Years (Million yen)	Over 4 Years and Within 5 Years (Million yen)	Over 5 Years (Million yen)
Long-term loans payable	490	490	490	490	484	554

(3) Matters Concerning Breakdown, etc., of the Market Value of Financial Instruments by Appropriate Classification

The market value of financial instruments is classified into the following 3 levels according to the observability and importance of the inputs used to calculate the market value.

Level 1 Market Value: Market value calculated at the (unadjusted) market price in an active market of the same asset or liability.

Level 2 Market Value: Market value calculated using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 Market Value: Market value calculated using significant non-observable inputs.

When multiple inputs that have a significant impact on the calculation of market value are used, the market value is classified into the level with the lowest priority in the calculation of market value among the levels to which each input belongs.

①Financial assets and liabilities recorded on the consolidated balance sheet at market value

Not applicable.

②Financial assets and liabilities that are not recorded on the consolidated balance sheet at market value

Classification	Market Value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including current portion)	- Million yen	2,989 Million yen	- Million yen	2,989 Million yen
Liabilities total	-	2,989	-	2,989

(Note) Explanation of valuation techniques used to for the calculation of market value and inputs related to the calculation of market value

Long-term loans payable (including current portion)

Based on the total amount of principal and interest, the remaining period of the debt and the interest rate taking into account credit risk, it is calculated using the discounted present value method and classified as a level 2 market value.

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 Revenue Recognition

(1) Information on the Breakdown of Revenue Generated from Client Contracts

	Reportable Segments		Total
	General Human Resources Services Business	Other Businesses	
Automobiles	31,618 Million yen	- Million yen	31,618 Million yen
Electronic devices	21,935	-	21,935
Precision・electrical machinery	8,329	-	8,329
Other	12,702	2,963	15,665
Revenue generated from client contracts	74,586	2,963	77,549
Other revenue	-	-	-
Sales to external clients	74,586	2,963	77,549

(2) Fundamental Information to Understand Revenue Generated from Client Contracts

Fundamental information for understanding revenue is as described in "1. Notes Concerning Significant Basic Items for Preparation of Consolidated Financial Statements (4) Significant Accounting Policies ⑤ Standards for recording revenues and expenses".

(3) Information on the Relationship between the Fulfillment of Performance Obligations under Contracts with Clients and Cash Flows Arising from Such Contracts, and the Amount and Timing of Revenue Expected to be Recognized from Contracts with Clients Existing in the Consolidated Fiscal Year under Review to the Following Consolidated Fiscal Year or Later

① Balance of contract liabilities, etc.

The beginning and end balances of contract liabilities, etc., arising from client contracts are as follows:

	Consolidated Fiscal Year under Review	
	Balance at Beginning of Period	Balance at End of Period
Receivables arising from client contracts		
Electronically recorded monetary claims - operating	43 Million yen	66 Million yen
Accounts receivable - trade	8,051	9,324
	8,094	9,390
Contract liabilities	256	247

Contract liabilities are primarily related to lump-sum payments received from customers prior to move-in under the facility nursing care occupancy contract, and are withdrawn upon recognition of revenue over the period residence in which services are expected to be provided.

The amount of revenue recognized in the consolidated fiscal year under review which was included in the balance of contract liabilities at the beginning of the period was 86 million yen. There were no significant changes in the balance of contract liabilities in the consolidated fiscal year under review. In addition, the amount of revenue recognized in the consolidated fiscal year under review is not significant due to performance obligations that were satisfied (or partially satisfied) in the past period.

② Transaction price allocated to remaining performance obligations

The total transaction price allocated to remaining performance obligations and the period during which revenue is expected to be recognized are as follows:

	Consolidated Fiscal Year under Review
Within 1 Year	91 Million yen
Over 1 Year and Within 2 Years	72
Over 2 Years and Within 3 Years	47
Over 3 Years and Within 4 Years	27
Over 4 Years	8
Total	247

The Group applies practical expedients when noting transaction prices allocated to remaining obligations. Mainly, in worker dispatching contracts for manufacturing dispatching and contracting agreements for manufacturing contracting, the scope of the note does not include performance obligations that are part of a contract with an initial expected contract period of 1 year or less, and performance obligations that recognize revenue in the amount entitled to claim under the contract.

As a result, the total transaction price allocated to the remaining performance obligations is mainly related to the lump-sum payment received from the customer prior to move-in under the facility nursing care occupancy contract, and is allocated over the period of residence during which services are expected to be provided. In addition, the amount of consideration received from the contract with the customer does not include the amount of significant variable consideration, etc., which is not included in the transaction price.

7. Notes Concerning Per Share Information

Net assets per share amount	399.01 Yen
Net income per share	49.94 Yen

8. Notes Concerning Significant Subsequent Events

(Change of Equity-method Affiliate (Consolidated Subsidiary Acquisition))

The Company resolved to acquire additional equity interest in Nikon Nisso Prime Corporation, an equity-method affiliate of the Company, and make it a consolidated subsidiary, at the Board of Directors' Meeting held on May 19, 2022.

(1) Overview of Business Combination

① Name of acquired company and description of its business

Name of acquired company	Nikon Nisso Prime Corporation
Description of business	Human resources dispatching・recruitment/human resources sharing business/ consignment/entrustment・contracting business Planning, R&D, operation and support of structure development and opportunity creation for seniors' continued employment

② Reason for business combination

Nikon Nisso Prime Corporation was established in January 2020 as a joint venture between the Company and Nikon Corporation in order to integrate the expertise of both companies and create synergies through collaboration. Since then, Nikon Nisso Prime has been working to enhance the dispatching business, support the active participation of older employees of the Nikon Group, and develop, secure, and build a structure for employment opportunities where such employees can continue to work.

In addition, through cooperation with local governments, Nikon Nisso Prime is promoting new initiatives, such as providing support for the realization of regional revitalization by passing on the diverse experiences and knowledge of Nikon Nisso Prime's human resources to local communities, and aims to further strengthen these initiatives.

③ Business combination date (Scheduled)

July 1, 2022

④ Legal form of business combination

Acquisition of shares for cash consideration

⑤ Name after business combination

There is no change.

⑥ Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination	49.0%
Percentage of voting rights to be additionally acquired on date of business combination	2.0%
Percentage of voting rights after acquisition	51.0%

⑦ Main reason for determining acquisition company

The Company acquires the voting rights of Nikon Nisso Prime Corporation, an equity-method affiliate, through the acquisition of shares in consideration of cash.

(2) Breakdown by type of acquisition price and consideration of acquired company

Consideration for acquisition	Market value of common stock of Nikon Nisso Prime Corporation held immediately before the business combination on the business combination date	262 Million yen
	Market value of common stock of Nikon Nisso Prime Corporation to be additionally acquired on the business combination date	10 Million yen
Acquisition cost		272 Million yen

(3) Details and amount of major acquisition-related expenses
Not determined at this time.

(4) Difference between acquisition cost of acquired company and the total acquisition cost for each transaction that led to acquisition
Not determined at this time.

(5) Amount of goodwill generated, cause of occurrence, amortization method and amortization period
Not determined at this time.

(6) Amount of assets to be accepted and liabilities to be underwritten on business combination date and main breakdown thereof
Not determined at this time.

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

Shares, etc., without market price

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 is 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 shareholder benefit program

In order to prepare for expenses under the shareholder benefits program, the Company has recorded an amount that is expected to be incurred in the following fiscal year and thereafter.

④ 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) Standards for recording revenues and expenses

The following information provides the basis for an understanding of the Company's revenue arising from contracts with clients, including the main business performance obligations of the major businesses and the time at which such performance obligations are satisfied (the normal time at which revenue is recognized).

The Company is mainly engaged in manufacturing dispatching and manufacturing contracting.

In manufacturing dispatching, the Company has concluded worker dispatching contracts between the Company and manufacturers of automobiles, electronic devices, precision・electrical machinery, and provide services to dispatch workers who have concluded employment contracts with the Company to manufacturers. In addition, in manufacturing contracting, the Company has concluded contracting agreements with manufacturers, and in response to orders from manufacturers, the Company provides services to deliver finished products (results) by carrying out manufacturing processing, inspections, etc., under the Company's own management system. These services are mainly routine or repetitive services and are considered to be performance obligations that are to be fulfilled over a certain period of time, since clients are expected to benefit from the services as the Company fulfills its obligations under its contracts with them.

The consideration for manufacturing dispatching transactions is mainly hourly billing as consideration for labor, while consideration for manufacturing contracting transactions is mainly volume billing as consideration for deliverables. In addition, consideration for transactions is billed on a monthly basis and is received within approximately 3 months after the billing.

Since the Company is considered to have the right to receive from the client the amount of consideration that directly corresponds to the value to the client for the portion of performance that the Company has completed to date, revenue is recognized in amounts that the Company has the right to claim. In addition, consideration paid to clients, such as rental fees incurred by the Company for the provision of services, is reduced from revenues.

(5) Other significant basic items for preparation of financial statements

Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses related to retirement benefits differs from the accounting method used in consolidated financial statements.

(6) Additional Information

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

In the fiscal year under review, clients of manufacturing-related human resources services, which is the core business of the Company, suffered sluggish growth in the operation of manufacturing staff due to the effects of shortages of semiconductors and other parts and a temporary suspension of operations as a result of the spread of COVID-19 infections. On the other hand, the need for human resources to prepare for the increase in production activities after the convergence of risks has not declined, and the Company has been working to secure human resources in order to meet respond to such demands. It is assumed that the same trend will continue to some extent in the following fiscal year.

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. Changes in Accounting Policies

(Application of Accounting Standards for Revenue Recognition)

"Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, the "Revenue Recognition Accounting Standards") etc., have been applied from the beginning of the fiscal year under review, and revenue was recognized at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to clients.

In the past, consideration paid to clients, such as rent expenses, was treated as cost of sales, but the Company has changed to a method of reducing the transaction price.

Although the application of the Revenue Recognition Accounting Standards is in accordance with the transitional treatment set forth in the Revenue Recognition Accounting Standards No. 84, there is no impact on the balance of retained earnings brought forward at the beginning of the current period. Although net sales decreased by 270 million yen and cost of sales decreased by 270 million yen in the fiscal year under review, there was no impact on operating profit, ordinary profit, or profit before income taxes.

In addition, "notes and accounts receivable (trade)" which were presented under "current assets" in the balance sheet for the previous fiscal year, are separately presented under "electronically recorded monetary claims (operating)" and "accounts receivable (trade)", respectively, from the fiscal year under review.

3. Significant Accounting Estimates

Impairment of non-current assets

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

Property, plant and equipment 4,338 Million yen

②Other 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.

③Impact 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.

4. Notes to Balance Sheet

(1) Assets Pledged as Collateral and Collateral for Debts

① Assets pledged as collateral

Buildings and structures	852 Million yen
Land	1,518 Million yen
"Other" item of Intangible assets (Subleasing rights)	1 Million yen
Total	2,371 Million yen

② Collateral for debts

Current portion of long-term loans payable	390 Million yen
Long-term loans payable	2,109 Million yen
Total	2,500 Million yen

(2) Accumulated Depreciation Related to Assets

Accumulated depreciation of property, plant and equipment	3,668 Million yen

(3) Discounts on Electronically Recorded Money Claims

Discounts on electronically recorded money claims	133 Million yen

(4) Monetary claims or monetary liabilities to affiliated companies

① Short-term monetary claims	79 Million yen
② Long-term monetary claims	623 Million yen
③ Short-term monetary liabilities	43 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	5,200 Million yen
Outstanding borrowing balance	－
Balance	5,200 Million yen

5. Notes to Statement of Income

Transaction volume with affiliated companies

Sales transactions	473 Million yen
Transactions other than sales transactions	25 Million yen

6. Notes to Statement of Changes in Equity

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

Common stock	348,444 Shares

7. 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	282 Million yen
Accrued expenses	44 Million yen
Accrued enterprise tax	36 Million yen
Provision for retirement benefits	144 Million yen
Impairment loss	95 Million yen
Loss on valuation of shares of subsidiaries and associates	90 Million yen
Loss on valuation of investment securities	90 Million yen
Other	141 Million yen
Subtotal deferred tax assets	925 Million yen
Valuation allowance	(352) Million yen
Total deferred tax assets	573 Million yen
Deferred tax liabilities	
Prepaid pension cost	17 Million yen
Other	22 Million yen
Total deferred tax liabilities	40 Million yen
Net deferred tax assets	532 Million yen

8. 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	160	Other of current assets (short-term loans receivable)	70
							Collection of loans	240	Long-term loans receivable	623
							Receipt of interest (Note)	3	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 Shareholders

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 1)	18	Other of current liabilities (accounts payable)	1
Officer	Ryuichi Shimizu	—	—	Representative Director of the Company	(Held) Direct 0.3% Indirect 26.6%	—	Disposal of treasure shares associated with in-kind contribution of monetary compensation claims (Note 2)	11	—	—

(Note 1) 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.

(Note 2) This is due to the in-kind contribution of monetary compensation claims associated with the restricted share remuneration system.

9. Notes Concerning Revenue Recognition

Fundamental information for understanding revenue generated from contracts with clients is omitted since the same content is described in "Notes to Consolidated Financial Statements Notes Concerning Revenue Recognition".

10. Notes Concerning Per Share Information

Net assets per share amount	379.50 Yen
Net income per share	47.33 Yen

11. Notes Concerning Significant Subsequent Events

Not applicable.