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(APPENDIX)

Business Report

(April 1, 2022 to
March 31, 2023)

1. Current Status of the Corporate Group

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

① Progress and results of business

In the current consolidated fiscal year (hereinafter, the "consolidated fiscal year under review"), in order to achieve its mission of "*Creating opportunities and hopes for people to work*", the Nisso Group (hereinafter, the Group") has been promoting initiatives "*To transform into a corporate group with high-growth potential*" by providing Human Resources Solution Services that support the growth of companies and people, aiming to create workplaces where workers can feel motivated and grow, and to provide services that can respond to social changes and changes in industrial structures.

The Group defines materiality (key issues) for the realization of its mission as "Creation of a comfortable workplace", "Responding to social changes and changes in industrial structures", and "Strengthening of governance". The Group aims to enhance corporate value through the creation of social value by promoting digitization (digitalization) and actively investing in human resources, maximizing employee satisfaction and customer/client satisfaction, providing high value-added services, and strengthening management structures and internal controls.

The results of operations for the consolidated fiscal year under review were as follows: net sales of 90,827 million yen (up 17.1% year-on-year), operating profit of 2,268 million yen (up 8.7% year-on-year), ordinary profit of 2,349 million yen (down 0.9% year-on-year), and profit attributable to owners of parent amounted to 1,622 million yen (down 4.4% year-on-year).

The Company (NISSO CORPORATION)

In the consolidated fiscal year under review, NISSO CORPORATION (hereinafter, the "Company", non-consolidated), which is the core of the Group, strengthened promotions related to recruitment in order to meet the vigorous human resources needs of its clients, and the number of enrolled manufacturing staff increased to 15,998 (up 1,053 from the end of the previous consolidated fiscal year). In the automobiles-related industry, the impact of the shortage of semiconductors and other parts have been on a gradual recovery trend, and as a result of steady human resources needs in anticipation of the normalization of production activities, net sales amounted to 36,375 million yen (up 15.0% year-on-year). In the electronic devices-related industry, although sales growth slowed due to inventory adjustments in electronic components and semiconductor memory, net sales amounted to 24,545 million yen (up 11.9% year-on-year), partly due to the results of unit-cost negotiations. In addition, by utilizing 8 training facilities nationwide and striving to develop human resources for the production of high value-added human resources, the total number of education and training participants, including manufacturing staff and engineers, totaled 7,291 (6,104 in the previous fiscal year), with net sales per capita of 426 thousand yen (compared with 415 thousand yen in the corresponding period of the previous fiscal year), and the Company's net sales increased by 12.7% year-on-year.

Furthermore, in April 2023, the Company opened a training center in Kumamoto Prefecture, its 9th location nationwide. At this facility, the Company aims to develop human resources who are ready to use actual semiconductor manufacturing equipment, and will contribute to the growth of not only the semiconductor industry in Kyushu, but also the semiconductor industry throughout Japan.

In terms of profits, although there was an increase in the consumption of paid leave and compensation for absence from work, due to the impact of the new coronavirus (hereinafter, "COVID-19") and operational adjustments due to parts shortages, it was absorbed by an increase in net sales, and the Company's operating profit increased by 7.2% year-on-year.

Results by segment were as follows:

(General Human Resources Services Business)

(Unit: Million yen)

	42nd Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022) Amount	43rd Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023) Amount (YoY)
Net sales		
Manufacturing · Production Human Resources Services	66,412	73,091 (up 10.1%)
Engineering Human Resources Services	5,670	8,627 (up 52.1%)
Administrative Human Resources Services	2,447	2,279 (down 6.9%)
Other Human Resources Services	64	3,819 (up 5834.6%)
Total	74,594	87,817 (up 17.7%)
Segment profit	2,052	2,222 (up 8.3%)

(Note) As for net sales of Other Human Resources Services, net sales of Nikon Nisso Prime Corporation have been recorded from the second quarter consolidated accounting period of FY 3/2023.

Manufacturing · Production Human Resources Services (NISSO CORPORATION, Vector Shinwa Co., Ltd.)

In the Manufacturing · Production Human Resources Services, the Group is mainly engaged in manufacturing dispatching and manufacturing contracting, and by strengthening its service provision system to clients and strengthening its sales activities aimed at increasing orders, it has improved efficiency and strengthened its "earning power".

During the consolidated fiscal year under review, despite strong demand for the automobiles-related industry, the number of enrolled staff amounted to 14,586 (up 660 year-on-year), partly due to inventory adjustments in electronic components and semiconductor memory. In addition, as a result of efforts to enhance various educational curriculums and strengthen communication in order to create a comfortable workplace, the turnover rate of employed workers remained at a low level of 3.9% (which was at 3.9% in the previous fiscal year). Furthermore, due to the effect of an increase in enrollment and net sales per capita of 422 thousand yen (which was at 411 thousand yen in the previous fiscal year), net sales increased by 10.1% year-on-year.

Engineering Human Resources Services (NISSO CORPORATION, Vector Shinwa Co., Ltd.)

In the Engineering Human Resources Services, the Group dispatches engineers mainly in the manufacturing industry and provides SES (System Engineering Service), and has continued to expand its high value-added areas and lay the groundwork for the next core business.

During the consolidated fiscal year under review, the number of enrolled engineers was 1,517 (up 412 year-on-year) by expanding educational opportunities for employed workers, and the turnover rate remained at a low level of 2.1% (which was at 1.9% in the previous fiscal year). Furthermore, due to the effect of an increase in enrollment and net sales per capita of 518 thousand yen (which was at 514 thousand yen in the previous fiscal year), net sales increased by 52.1% year-on-year.

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

In the Administrative Human Resources Services, the Group provides general office work dispatching and BPO (Business Process Outsourcing), and is working to restructure services and develop new menus.

During the consolidated fiscal year under review, although the Group promoted recruitment activities centered on public relations and customer attraction activities, due to sluggish growth in the number of registrants, the number of enrolled administrative dispatched staff amounted to 605 (down 64 year-on-year).

Other Human Resources Services (Nikon Nisso Prime Corporation, Nisso Pure Co., Ltd.)

In Other Human Resources Services, the Group aims to build a business model that will enable older employees and employees with disabilities to flourish.

On July 1, 2022, the Company acquired additional equity interest in Nikon Nisso Prime Corporation, an equity-method affiliate, and made it a consolidated subsidiary. In addition to enhancing its human resources dispatching business, the Nikon Nisso Prime is working to support the active participation of older employees, as well as developing, securing and building a structure for employment opportunities where such employees can continue to work. The number of older employees employed during the consolidated fiscal year under review was 598.

Nisso Pure Co., Ltd., a special-purpose subsidiary of the Company, aims to create a workplace environment where diverse human resources can flourish. Rather than simply hiring employees with disabilities, the Group is promoting activities that take advantage of the characteristics of each individual, such as being entrusted with light work by external clients, and aiming to coexist with local communities, including school officials, support organizations, and the government. The number of employees with disabilities during the consolidated fiscal year under review was 205.

(Other Businesses)

(Unit: Million yen)

	42nd Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022) Amount	43rd Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023) Amount	(YoY)
Net sales			
Nursing Care • Welfare Services	2,963	3,031	(up 2.3%)
Segment profit	36	48	(up 31.9%)

Nursing Care • Welfare Services (Nisso Nifty Co., Ltd.)

In the Nursing Care • Welfare Services, the Group provides facility nursing care and home-based nursing care, and is working to restructure its provided services while developing new menus.

During the consolidated fiscal year under review, in the facility nursing care business, which is the mainstay of this service, the Group promoted Web previews and other activities on the premise of preventing the spread of COVID-19 infections. The number of residents in the nursing care facilities was 380 (up 16 year-on-year), and the occupancy rates at the nursing care facilities was 94.5% (which was at 90.5% in the previous fiscal year). As a result, net sales increased by 2.3% year-on-year.

(Initiatives for Sustainability)

In order to achieve its mission of "Creating opportunities and hopes for people to work", the Group recognizes the importance of contributing to society and the environment through investment in "people", which is the driving force behind the Group.

In promoting activities related to sustainability, based on the "Sustainability Policy" formulated in October 2021, the Group aims for sustainable business growth and promotes initiatives to realize a sustainable society by establishing policies on human rights, labor, the environment, health and safety, and ethics.

The Group defines "human resources development" and "diversity" as the most important factors in aiming for sustainable growth of its business. From the perspective of enhancing value, the Group will improve the ratio of highly skilled human resources by developing human resources who can take on the challenge of all possibilities in all fields. At the same time, the Group aims to create a workplace where all employees can have dreams and a sense of fulfillment, and build a workplace where diverse human resources can flourish. From the perspective of risk management, the Group recognizes the importance of activities such as respect for human rights, the environment, safety and health, compliance, and local environmental conservation, and is promoting initiatives aimed at reducing various risks and contributing to society.

With the goal of "achieving carbon neutrality (net-zero emissions) by 2050", the Company is also promoting initiatives to combat climate change through its business. Through a series of human resources services activities, the Company will work to protect the global environment and prevent pollution, and by clarifying the financial impact of climate change on the Company, it will aim to improve corporate resilience and realize the key issue of "creating a comfortable workplace".

Net Sales by Segment

(Unit: Million yen)

Name of segment	42nd Fiscal Year (Apr. 1, 2021 – Mar. 31, 2022)		43rd Fiscal Year (Apr. 1, 2022 – Mar. 31, 2023)		Year-on-Year	
	Amount	% of Total	Amount	% of Total	Amount	% Change
General Human Resources Services Business	74,594	96.2%	87,817	96.7%	13,223	17.7%
Other Businesses	2,963	3.8	3,031	3.3	68	2.3
Adjustment amount	(7)	(0.0)	(22)	(0.0)	(14)	-
Total	77,549	100.0	90,827	100.0	13,278	17.1

② **Status of capital investments**

During the consolidated fiscal year under review, the Group carried out capital investment totaling 293 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)

Training facilities	90 Million yen
Headquarters	45 Million yen
Core systems	40 Million yen
Sales offices	39 Million yen

There were no disposals or sales of significant facilities.

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 **Status of 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**

At the Board of Directors meeting held on May 19, 2022, the Company resolved to acquire an additional equity interest in Nikon Nisso Prime Corporation, an equity-method affiliate of the Company, and make it a consolidated subsidiary, and made Nikon Nisso Prime Corporation a consolidated subsidiary on July 1, 2022.

(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		40 th Fiscal Year (FY 3/2020)	41 st Fiscal Year (FY 3/2021)	42 nd Fiscal Year (FY 3/2022)	43 rd Fiscal Year (Consolidated Fiscal Year under Review) (FY 3/2023)
Net sales	(Million yen)	74,966	68,213	77,549	90,827
Ordinary profit	(Million yen)	3,149	2,949	2,369	2,349
Profit attributable to owners of parent	(Million yen)	2,033	1,592	1,696	1,622
Net income per share	(Yen)	60.51	47.08	49.94	47.71
Total assets	(Million yen)	22,494	21,631	27,462	30,092
Net assets	(Million yen)	11,895	12,763	13,559	14,807
Net assets per share	(Yen)	351.84	375.90	399.01	435.20

(Note) 1. The Company's common stock was split 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 40th Fiscal Year.

2. "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc., have been applied from the beginning of the 42nd Fiscal Year, and the main management indicators, etc., for the 42nd Fiscal Year and beyond are those after the relevant accounting standards, etc. have been applied.

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

Classification		40 th Fiscal Year (FY 3/2020)	41 st Fiscal Year (FY 3/2021)	42 nd Fiscal Year (FY 3/2022)	43 rd Fiscal Year (Current Fiscal Year*) (FY 3/2023)
Net sales	(Million yen)	69,209	62,549	71,697	80,776
Ordinary profit	(Million yen)	3,124	2,863	2,294	2,337
Profit	(Million yen)	2,030	1,530	1,607	1,638
Net income per share	(Yen)	60.43	45.22	47.33	48.19
Total assets	(Million yen)	20,024	19,811	25,329	26,985
Net assets	(Million yen)	11,247	11,955	12,896	13,935
Net assets per share	(Yen)	332.68	352.10	379.50	409.58

*(hereinafter, the "fiscal year under review")

(Note) 1. The Company's common stock was split 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 40th Fiscal Year.

2. "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc., have been applied from the beginning of the 42nd Fiscal Year, and the main management indicators, etc., for the 42nd Fiscal Year and beyond are those after the relevant accounting standards, etc. have been applied.

(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) 1
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
Vector Shinwa Co., Ltd.	78 Million yen	100.0%	General human resources services
Nikon Nisso Prime Corporation (Note) 2	50 Million yen	51.0%	General human resources services Outsourcing business Consignment/entrustment · contracting business Planning, R&D, operation and support of structure development and opportunity creation for seniors' continued employment

(Note) 1. BPO (Business Process Outsourcing) refers to the outsourcing of operations and processes of specific business-related tasks to a [third- party] specialized company.

2. On July 1, 2022, the Company acquired an additional equity interest in Nikon Nisso Prime Corporation, an equity-method affiliate, and made it a consolidated subsidiary.

(4) Issues to be Addressed

Regarding the Group's General Human Resources Services Business, although there is concern that the impact of production adjustments caused by the global shortage of semiconductors and other components will continue to some extent in the Automotive Industry (automobile manufacturing and EV-related manufacturing industry), human resources needs are expected to remain strong in anticipation of the normalization of parts procurement. In the Semiconductor Industry (semiconductor manufacturing industry), the effects of production adjustments due to excessive inventories in the memory field and other fields will continue, while a certain level of demand for power semiconductors for automotive applications is expected to remain constant. In addition, in the Electronics Industry (electronic equipment manufacturing industry), while demand for components related to PCs and communication equipment is expected to continue to decline due to significant linkages with the semiconductor industry, production activities of manufacturers who are the Company's clients are expected to gradually recover due to the demand for parts associated with environmental measures and automation of production sites.

In nursing care and welfare services in Other Businesses, although the demand for nursing care services is increasing against the backdrop of a super-aging society, with the recovery of economic activity, there is a conspicuous shortage of human resources at nursing care sites. As a result, there is a concern that the quality of services will decline due to a shortage of nursing care workers and a decline in their retention.

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

(General Human Resources Business)

① Strengthening of recruiting capabilities and securing of human resources

Due to the growing need for human resources for the recovery of economic activity, the Group also recognizes that securing workers is an issue. In response to the issue of securing human resources, the Group has strengthened its investment in promotional activities such as TV commercials and the use of SNS, and is conducting recruitment activities through the effective use of web media such as its own recruitment site, "Kojō Kyūjin Navi". In addition, in order to recruit high value-added human resources, the Group will develop new recruitment routes, including alliances with other companies and the utilization of human resources from foreign countries.

② Initiatives for human resources development

As the needs for human resources in the manufacturing area become more sophisticated, the Company recognizes that enhancing the skills of employees is an issue. The Group actively supports employees from manufacturing work to advanced operations such as engineers, and is increasing educational opportunities and enhancing individual skills by introducing digital technologies, as well as establishing educational structures and educational programs for employees that actively utilize its training facilities in 9 locations nationwide.

③ Business portfolio strategy

In the Group, the General Human Resources Services Business account 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. In order to solve this issue, the Group will pursue M&A and build new partnerships with the aim of expanding its business in AI-related services, healthcare, engineer dispatching, etc., which can be its next core areas.

④ Improvement of profitability

In order for the Group to maintain sustainable profit growth, it recognizes that increasing costs associated with strengthening business management functions and business operation bases is an issue. In order to resolve this issue, the Group will strive to improve productivity by streamlining recruitment activities, promoting DX, clarifying career paths, expanding career consulting functions, improving education and training structures, and strengthening on-site management functions.

(Other Businesses)

① Enhancement of service quality

The Group recognizes that securing a stable number of nursing care workers and improving the retention rate are issues that must be addressed in order to provide nursing care and welfare services that further satisfy its customers. By implementing stratified education for nursing care workers and introductory education for recruits, and by promoting the creation of a more comfortable working environment, the Group aims to improve employee retention 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 active use of the Web and SNS, as well as previews of its facilities. The Group will provide nursing care services based on an understanding of the individual needs of each customer, such as rehabilitation, sputum aspiration, and support for dementia, and strive to achieve a stable and high facility occupancy rate by becoming the business operator of choice for its customers. In addition, the Group will strive to improve productivity by strengthening recruitment activities, promoting DX, clarifying career paths, improving education and training structures, and strengthening on-site management functions.

(5) Main Business Contents (As of March 31, 2023)

The Group is comprised of the Company, 5 consolidated subsidiaries and 2 equity-method affiliates, and is engaged in the "General Human Resources Services Business" and "Other Businesses". In the "General Human Resources Services Business", the Group provides manufacturing dispatching and manufacturing contracting as manufacturing-related human resources services, and general office work dispatching and BPO (Note) as administrative human resources services. In addition, the Group is engaged in the nursing care and welfare businesses (facility and home nursing care) in "Other Businesses".

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 fulfillment and flourish, 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 · Vector Shinwa Co., Ltd. · Nikon Nisso Prime Corporation · Nisso Pure Co., Ltd.)

A Manufacturing dispatching

Manufacturing dispatching is 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 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, which carries 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 Group's companies), and the party that provides job-related instructions (client company), are different.

B Manufacturing contracting

With regard 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 Group's companies) themselves provides job-related instructions, and the Group's companies themselves must establish frameworks relating to production, quality control, labor management and workplace operations. In response to orders from the ordering party (client manufacturers), the Group's companies conduct manufacturing, processing and inspections under their own management systems, and deliver 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 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 the 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 Sales Offices, etc.** (As of March 31, 2023)

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)	Nagano Sales Office (Nagano City, Nagano) Kanazawa Sales Office (Kanazawa City, Ishikawa) Hamamatsu Sales Office (Hamamatsu City, Shizuoka) Nagoya Sales Office (Nagoya City, Aichi) Osaka Sales Office (Osaka City, Osaka) Okayama Sales Office (Okayama City, Okayama) Shimane Sales Office (Izumo City, Shimane) Hiroshima Sales Office (Hiroshima City, Hiroshima) Fukuoka Sales Office (Fukuoka City, Fukuoka)

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
Vector Shinwa Co., Ltd.	Chiryu City, Aichi
Nikon Nisso Prime Corporation	Kohoku-ku, Yokohama, Kanagawa

(7) **Status of Employees** (As of March 31, 2023)

① Status of the Corporate Group

Name of Segment	Number of Employees (PT Workers)	
General Human Resources Services Business	1,920	(234)
Other Businesses	255	(65)
Total	2,175	(299)

- (Note) 1. The number of employees represents the number of persons in employment, and the average number of temporary employees (part-time workers) in the past year is shown in brackets ().
2. In addition, 16,561 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)
1,290 (208)	42.0	9.6	4,819,518

Name of Segment	Number of Employees	(PT Workers)
General Human Resources Services Business	1,290	(208)
Total	1,290	(208)

- (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, 15,125 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, 2023)

Lender	Amount borrowed
MUFG Bank, Ltd.	855 Million yen
The Bank of Yokohama, Ltd.	855 Million yen
Mizuho Bank, Ltd.	398 Million yen
Aozora Bank, Ltd.	400 Million yen

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

Not applicable.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2023)

- ① Total number of authorized shares 102,400,000 Shares
- ② Total number of issued shares 34,353,200 Shares (of which 328,480 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 22,400 shares.

- ③ Number of shareholders 6,119

④ Major shareholders

Name of Shareholder	Number of Shares	Shareholding Ratio
NS Holdings Co., Ltd.	13,917,400	40.90%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,702,700	7.94%
Custody Bank of Japan, Ltd. (Trust Account)	2,492,800	7.33%
Tadao Shimizu	1,022,600	3.01%
Chikako Shimizu	974,000	2.86%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	506,500	1.49%
Shoichi Iwashige	433,800	1.27%
NISSO CORPORATION Employee Shareholding Association	433,600	1.27%
STATE STREET BANK AND TRUST COMPANY 505103	304,700	0.90%
MSIP CLIENT SECURITIES	264,800	0.78%

- (Note) 1. Although the Company holds 328,480 shares of treasury shares, it is excluded from the major shareholders listed above.
2. The shareholding ratio is calculated with the deduction of treasury shares (328,480 shares).
3. In the Changes Report of the Large Shareholding Report which was made available for public inspection on March 20, 2023, although it was stated that Nomura Asset Management Co., Ltd. and 1 other company held the following shares as of March 15, 2023, 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 International PLC	71,400	0.21%
Nomura Asset Management Co., Ltd.	1,695,400	4.94%
Total	1,766,800	5.14%

4. In the Changes Report of the Large Shareholding Report which was made available for public inspection on March 7, 2023, although it stated that Sumitomo Mitsui DS Asset Management Company, Limited and 1 other company held the following shares as of February 28, 2023, since the Company was unable to confirm the number of real held shares as of the end of the fiscal year under review, the status of 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
Sumitomo Mitsui DS Asset Management Company, Limited	1,130,500	3.29%
SMBC Nikko Securities Inc.	600,100	1.75%
Total	1,730,600	5.04%

- 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 19, 2022, the Company resolved to dispose of treasury shares as restricted share remuneration, and as of August 4, 2022, 19,964 treasury shares were disposed of to 1 Managing Director (excluding an External Managing Director).

- 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, 2023)

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 Business Process Outsourcing and Staffing Association Chairman Japan Association of Human Resource Services Industry Vice Chairman
Managing Director	Shin Monzawa	Monzawa Certified Public Accountant Office Representative Director General Incorporated Association, Toranomokai 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	Nisso Brain Co., Ltd. Audit & Supervisory Board Member Nisso Nifty Co., Ltd. Audit & Supervisory Board Member
Audit & Supervisory Board Member	Ryuta Hasegawa	Nisso Pure Co., Ltd. Audit & Supervisory Board Member
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 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
Toshiyasu Udagawa	June 29, 2022	Expiration of Term of Office	Managing Director, Managing Executive Officer & COO

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 regard 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)	4 (2)	87 (15)	66 (15)	8 (-)	12 (-)
Audit & Supervisory Board Members (incl. External Audit & Supervisory Board Members)	3 (3)	26 (26)	26 (26)	- (-)	- (-)
Total (incl. External Officers)	7 (5)	114 (41)	93 (41)	8 (-)	12 (-)

- (Note) 1. The table above includes 1 Managing Director who retired (or resigned) at the conclusion of the 42nd Ordinary General Meeting of Shareholders held on June 29, 2022.
- The amount of remuneration for Managing Directors does not include the portion of salaries for Managing Directors concurrently serving as employees.
 - The indicators for performance-linked remuneration are the 3-year consolidated net sales growth rate, the ratio of consolidated operating profit to the initial target, and the ratio to the target of the Medium-term Management Plan, and individual performance indicators are set individually. 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 amount of performance-linked remuneration is calculated in accordance with "(3) ⑤ Remuneration of Managing Directors and Audit & Supervisory Board Members" on P16 of this Business Report, and the performance indicators used in the calculation are a 3-year consolidated net sales growth rate of 6.6% and a consolidated operating profit of 2,286 million yen with an achievement rate of 85%.
 - 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".
 - Pursuant to the resolution at the 39th Ordinary General Meeting of Shareholders held on June 27, 2019, 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 3.
 - 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.
 - The Board of Directors has delegated to Ryuichi Shimizu, Representative Director, President & CEO, the determination of the amount of basic remuneration for each Managing Director, and the allocation/allotment 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 20 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 a management executive, 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 11 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 and remuneration for Managing Directors, from an objective and neutral standpoint.
Managing Director	Miki Ohno	She has attended all 20 of the Board of Directors' Meetings that were held during the fiscal year under review. 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 11 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 and remuneration for Managing Directors, from an objective and neutral standpoint.
Audit & Supervisory Board Member	Akira Ishida	He has attended all 20 of the Board of Directors' Meetings, in addition to attending all 14 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. In addition, as a member of the Nomination and Remuneration Committee, he has attended all 11 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 and remuneration for Managing Directors, from an objective and neutral standpoint.
Audit & Supervisory Board Member	Ryuta Hasegawa	He has attended 19 of the 20 Board of Directors' Meetings, in addition to attending 13 of the 14 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 20 of the Board of Directors' Meetings, in addition to attending all 14 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 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	40 Million yen
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	40 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

① The 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 3 times a year and on other occasions as necessary.

② Based 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.

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

④ Each 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.

⑤ Each 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.

⑥ In 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.

⑦ The 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

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

② To 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

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

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.

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

① In 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.

② In 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.

③ The 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" 3 times during the fiscal year under review, where Managing Directors, Audit & Supervisory Board Members, Senior Executive Officers, Executive Officers 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 3 Managing Directors, including 2 External Managing Directors, were convened 12 times, and 8 extraordinary meetings were convened during the fiscal year under review. At the Board of Directors' Meetings, which were convened a total of 20 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 14 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% or more 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, 2023)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	21,747	Current liabilities	12,187
Cash and deposits	9,800	Current portion of long-term loans payable	490
Electronically recorded monetary claims - operating	116	Lease obligations	2
Accounts receivable - trade	10,870	Accrued expenses	6,119
Prepaid expenses	655	Income taxes payable	555
Other	309	Accrued consumption taxes	2,104
Allowance for doubtful accounts	(5)	Contract liabilities	245
Non-current assets	8,344	Provision for bonuses	1,395
Property, plant and equipment	4,660	Provision for shareholder benefit program	104
Buildings and structures	1,795	Other	1,169
Land	2,670	Non-current liabilities	3,097
Other	195	Long-term loans payable	2,019
Intangible assets	1,514	Lease obligations	5
Leased assets	1	Deferred tax liabilities	109
Goodwill	868	Net defined benefit liability	583
Other	644	Other	380
Investments and other assets	2,169	Total liabilities	15,284
Investment securities	343	(Net assets)	
Lease and guarantee deposits	643	Shareholders' equity	14,563
Deferred tax assets	765	Capital stock	2,016
Net defined benefit asset	77	Capital surplus	2,367
Other	366	Retained earnings	10,460
Allowance for doubtful accounts	(27)	Treasury shares	(281)
Total assets	30,092	Accumulated other comprehensive income	4
		Foreign currency translation adjustment	0
		Remeasurements of defined benefit plans	3
		Non-controlling interests	239
		Total net assets	14,807
		Total liabilities and net assets	30,092

Consolidated Statement of Income

(April 1, 2022 to
March 31, 2023)

(Unit: Million yen)

Item	Amount	
Net sales		90,827
Cost of sales		76,272
Gross profit		14,554
Selling, general and administrative expenses		12,286
Operating profit		2,268
Non-operating income		
Interest income	3	
Dividend income	0	
Subsidy income	142	
House rent income	40	
Other	39	226
Non-operating expenses		
Interest expenses	10	
Share of loss of entities accounted for using equity method	55	
Rent expenses	21	
Compensation for damage	24	
Other	32	145
Ordinary profit		2,349
Profit before income taxes		2,349
Income taxes - current	845	
Income taxes - deferred	(101)	744
Profit		1,604
Profit attributable to non-controlling interests		(17)
Profit attributable to owners of parent		1,622

Consolidated Statement of Changes in Equity

(April 1, 2022 to
March 31, 2023)

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,016	2,368	9,454	(298)	13,540
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	0	0			1
Dividends of surplus			(611)		(611)
Profit attributable to owners of parent			1,622		1,622
Disposal of treasury shares		(1)	(4)	17	11
Increase of consolidated subsidiaries - non-controlling interests					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	0	(0)	1,006	17	1,023
Balance at end of current period	2,016	2,367	10,460	(281)	14,563

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	0	17	18	-	13,559
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					1
Dividends of surplus					(611)
Profit attributable to owners of parent					1,622
Disposal of treasury shares					11
Increase of consolidated subsidiaries - non-controlling interests				239	239
Net changes of items other than shareholders' equity	(0)	(14)	(14)		(14)
Total changes of items during period	(0)	(14)	(14)	239	1,248
Balance at end of current period	0	3	4	239	14,807

Balance Sheet

(As of March 31, 2023)

(Unit: Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	18,371	Current liabilities	10,432
Cash and deposits	8,375	Current portion of long-term loans payable	490
Electronically recorded monetary claims - operating	116	Lease obligations	1
Accounts receivable - trade	9,202	Accrued expenses	5,545
Prepaid expenses	586	Income taxes payable	508
Other	93	Accrued consumption taxes	1,930
Allowance for doubtful accounts	(3)	Provision for bonuses	995
Non-current assets	8,613	Provision for shareholder benefit program	104
Property, plant and equipment	4,410	Other	856
Buildings and structures	1,668	Non-current liabilities	2,616
Land	2,561	Long-term loans payable	2,019
Other	179	Provision for retirement benefits	583
Intangible assets	165	Other provision	5
Leased assets	1	Other	8
Other	164	Total liabilities	13,049
Investments and other assets	4,038	(Net assets)	
Investment securities	185	Shareholders' equity	13,935
Shares of subsidiaries and associates	2,409	Capital stock	2,016
Long-term loans receivable	623	Capital surplus	2,367
Lease and guarantee deposits	90	Legal capital surplus	2,367
Prepaid pension cost	59	Retained earnings	9,832
Deferred tax assets	602	Legal retained earnings	40
Other	93	Other retained earnings	9,792
Allowance for doubtful accounts	(27)	Reserve for specified stock	75
Total assets	26,985	General reserve	2,800
		Retained earnings brought forward	6,917
		Treasury shares	(281)
		Total net assets	13,935
		Total liabilities and net assets	26,985

Statement of Income

(April 1, 2022 to
March 31, 2023)

(Unit: Million yen)

Item	Amount	
Net sales		80,776
Cost of sales		67,330
Gross profit		13,445
Selling, general and administrative expenses		11,177
Operating profit		2,267
Non-operating income		
Interest income	3	
Subsidy income	93	
House rent income	56	
Other	32	185
Non-operating expenses		
Interest expenses	10	
Rent expenses	56	
Compensation for damage	24	
Other	25	116
Ordinary profit		2,337
Profit before income taxes		2,337
Income taxes - current	768	
Income taxes - deferred	(69)	698
Profit		1,638

Statement of Changes in Equity

(April 1, 2022 to
March 31, 2023)

(Unit: Million yen)

	Shareholders' equity											Total net assets
	Capital stock	Capital surplus			Retained earnings					Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings			
						Reserve for specified stock	General reserve	Retained earnings brought forward				
Balance at beginning of current period	2,016	2,367	1	2,368	40	75	2,800	5,895	8,810	(298)	12,896	12,896
Changes of items during period												
Issuance of new shares - exercise of share acquisition rights	0	0		0							1	1
Dividends of surplus								(611)	(611)		(611)	(611)
Profit								1,638	1,638		1,638	1,638
Disposal of treasury shares			(1)	(1)				(4)	(4)	17	11	11
Net changes of items other than shareholders' equity											-	-
Total changes of items during period	0	0	(1)	(0)	-	-	-	1,022	1,022	17	1,039	1,039
Balance at end of current period	2,016	2,367	-	2,367	40	75	2,800	6,917	9,832	(281)	13,935	13,935

